

UMTSHEZI  
MUNICIPALITY  
KZN234



DRAFT ANNUAL BUDGET  
2015/16

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

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## Part 1 – Annual Budget

### 1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2015 that although the world economy remained troubled, there were signs of improvement in that economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2015/16 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
  - addressing issues of financial sustainability, and
  - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The draft 2015/16 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the draft budget is as follows:

Total operating income – R344 665000

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Total Operating expenditure – R385 968 000

Operating Deficit – R41 303 000

Capital Transfers –R 32 955 000

Capital Budget – R33 235 000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, INEP, and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of Umtshezi thus achieving a better life for all.

**HIS WORSHIP THE MAYOR**

**COUNCILLOR B.D DLAMINI**

## **1.2 Council Resolutions**

On 30 March 2015 the Council of Umtshezi Local Municipality met in the Council Chambers of Umtshezi Municipality to consider the draft annual budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The draft annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 23;
    - 1.2.2. Budgeted Cash Flows as contained in Table 24;



- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
  - 1.2.4. Asset management as contained in Table 26; and
  - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015:
  - 2.1. the tariffs for property rates;
  - 2.2. the tariffs for electricity; and
  - 2.3. the tariffs for solid waste services.
3. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
  - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
  - 3.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/15 MTREF**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Revenue	229 139	253 494	290 018	316 421	302 455	302 020	302 020	344 332	369 066	397 808
Total Expenditure	255 471	284 502	312 875	335 189	348 162	331 970	331 970	385 968	407 380	429 311
Surplus/(Deficit)	(26 332)	(31 008)	(22 857)	(18 768)	(45 707)	(29 950)	(29 950)	(41 635)	(38 314)	(31 503)
Transfers recognised - capital	15 811	30 691	31 406	28 615	45 439	28 615	28 615	32 955	34 214	34 352
Surplus/(Deficit) for the year	(10 521)	(317)	8 548	9 847	(268)	(1 335)	(1 335)	(8 680)	(4 100)	2 849

Total operating revenue has grown by 14.12 per cent or R41.8 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by 7.18 and 7.79 per cent respectively, equating to a total revenue growth of R24.7 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R385.9 million and translates into a budgeted deficit of R41.6 million. When compared to the 2014/15 Adjustments Budget, operational expenditure has grown by 16.27 per cent in the 2015/16 budget and by 5.55 and 5.38 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily decrease to R38.3 million and then at R31.5 million.

The capital (grant) budget of R32.9 million for 2015/16 is 15.17 per cent more when compared to the 2014/15 Adjustment Budget. The increase is mainly due to the increase in grants allocations. The capital programme increases to R1.2 million in the 2016/17 financial year and then evens out in 2017/18 to R138 000.

## **1.4 Operating Revenue Framework**

For Umtshezi Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>										
Property rates	35 131	38 106	55 998	54 206	54 206	61 316	61 316	57 310	60 749	64 394
Property rates - penalties & collection charges	5 262	5 598	7 165	6 198	10 054	9 965	9 965	10 657	11 296	11 974
Service charges - electricity revenue	141 629	158 001	168 691	188 937	173 937	167 975	167 975	196 549	216 204	237 824
Service charges - refuse revenue	5 788	5 353	6 529	7 478	5 478	6 141	6 141	5 806	6 155	6 524
Rental of facilities and equipment	435	387	463	490	130	182	182	351	372	395
Interest earned - external investments	-	-	1 775	2 211	2 250	440	440	3 162	3 352	3 553
Interest earned - outstanding debtors	1 729	2 261	668	1 912	1 912	500	500	2 027	2 148	2 277
Fines	196	46	101	122	62	82	82	87	92	98
Licences and permits	4 687	4 705	4 854	5 440	5 440	5 917	5 917	6 257	6 632	7 030
Transfers recognised - operational	30 694	36 202	40 546	45 778	45 331	45 778	45 778	58 252	57 959	59 386
Other revenue	3 588	2 833	3 228	3 649	3 655	3 723	3 723	3 874	4 106	4 353
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>229 139</b>	<b>253 494</b>	<b>290 018</b>	<b>316 421</b>	<b>302 455</b>	<b>302 020</b>	<b>302 020</b>	<b>344 332</b>	<b>369 066</b>	<b>397 808</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget		Budget Year 2015/16		Budget Year +1 2016/17		Budget Year +2 2017/18
<b>Revenue By Source</b>							
Property rates	54 206	6%	57 310	6%	60 749	6%	64 394
Property rates - penalties & collection charges	10 054	6%	10 657	6%	11 296	6%	11 974
Service charges - electricity revenue	173 937	13%	196 549	10%	216 204	10%	237 824
Service charges - refuse revenue	5 478	6%	5 806	6%	6 155	6%	6 524
Rental of facilities and equipment	130	170%	351	6%	372	6%	395
Interest earned - external investments	2 250	41%	3 162	6%	3 352	6%	3 553
Interest earned - outstanding debtors	1 912	6%	2 027	6%	2 148	6%	2 277
Fines	62	40%	87	6%	92	6%	98
Licences and permits	5 440	15%	6 257	6%	6 632	6%	7 030
Transfers recognised - operational	45 331	29%	58 252	-1%	57 959	2%	59 386
Other revenue	3 655	6%	3 874	6%	4 106	6%	4 353
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>302 455</b>		<b>344 332</b>		<b>369 066</b>		<b>397 808</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2015/16 financial year, revenue from rates and services charges totaled R259.6 million or 75.34 per cent. This increases to R24.2 million, R23.4 million and R25.6 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 76.6 per cent in 2016/17 to 77.54 per cent in 2017/18. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The

above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Property rates is the third largest revenue source totaling 16.63 per cent or R57.3 million rand and increases to R60.7 million by 2016/17.

Operating grants and transfers totals R58.2 million in the 2015/16 financial year and steadily decreased to R57.9 million by 2016/17. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand								
RECEIPTS:								
<u>Operating Transfers and Grants</u>								
National Government:	28,083	31,944	36,636	42,828	42,828	55,575	55,139	56,423
Local Government Equitable Share	25,843	29,644	33,196	39,294	39,294	50,138	52,557	53,690
Municipal Systems Improvement	790	800	890	934	934	930	957	1,033
Finance Management	1,450	1,500	1,550	1,600	1,600	1,600	1,625	1,700
EPWP Incentive	-	-	1,000	1,000	1,000	1,050	-	-
Municipal Demarcation Transition Grant						1,857	-	-
Provincial Government:	460	1,681	1,050	748	977	2,677	2,820	2,963
Health subsidy	-	1,413	-	-	-			
Sport and Recreation	210	-	1,050	150	675			
Museum Grant, Library Service, Provincialisation Grant	250	268		598	302	2,677	2,820	2,963
Total Operating Transfers and Grants	28,543	33,625	37,686	43,576	43,805	58,252	57,959	59,386

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom and bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 49 per cent rebate will be granted on all residential properties (including residential hospitality properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- On Commercial properties, an average of 27% rebate;
- Industrial properties, an average of 33% rebate;
- Agriculture properties, 20% rebate;
- Public Service Infrastructure, 30% rebate; and
- No rebate is given to the State Owned Properties.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 5 per cent decrease on rebates from 1 July 2015 is contained below:

**Table 5 Comparison of proposed rates to levied for the 2015/16 financial year**

#### **RATES RANDAGE**

Category	Impermissible	Rebate	Current Year Randage 2014/15	Proposed Randage 2015/16
Residential	30 000	49%	0.018895	0.018895
Residential - Hospitality	30 000	49%	0.018895	0.018895
Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	20%	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03726
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

#### **REBATES FOR COMMERCIAL PROPERTIES**

Value of Property	Rebate
0-1.5 million	31.660%
>1.5 million – 2.5 million	21.685%
>2.5 million – 7.5 million	25.635%
>7. 5 million -10 million	19.650%
>10 million	40.121%

#### **REBATES FOR INDUSTRIAL PROPERTIES**

VALUE OF PROPERTY	REBATE
0-1 Million	12.286%
>1-2 million	13.234%
>2-5 million	40.405%
>5-36 million	36.470%
>36 million	63.692%

#### **ADDITIONAL RELIEF**

USAGE/OWNER	ADDITIONAL REBATE
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	+12.50%

#### **1.4.2 Sale of Electricity and Impact of Tariff Increases**

NERSA has announced the revised bulk electricity pricing structure. A 12.20 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2015.

Considering the Eskom increases, the consumer tariff had to be increased by 13.2 per cent to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

#### **1.4.3 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2015. Higher increases will not be viable in 2015/16 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other



services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

#### 1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 6 MBRR Table SA14 – Household bills**

KZN234 Umtshezi - Supporting Table SA14 Household bills

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Rand/cent</b>											
<u>Monthly Account for Household - 'Middle Income Range'</u>	1										
Rates and services charges:											
Property rates		570.37	615.99	646.79	685.60	685.60	685.60	6.0%	726.74	770.34	816.56
Electricity: Basic levy											
Electricity: Consumption		1,562.10	1,772.98	1,932.55	2,075.37	2,075.37	2,075.37	13.0%	2,199.89	2,331.89	2,471.80
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		64.04	67.88	71.28	75.56	75.56	75.56	6.0%	80.09	84.90	89.99
Other											
sub-total		2,196.51	2,456.85	2,650.62	2,836.53	2,836.53	2,836.53	6.0%	3,006.72	3,187.13	3,378.35
VAT on Services											
Total large household bill:		2,196.51	2,456.85	2,650.62	2,836.53	2,836.53	2,836.53	6.0%	3,006.72	3,187.13	3,378.35
% increase/-decrease			11.9%	7.9%	7.0%	-	-		6.0%	6.0%	6.0%
<u>Monthly Account for Household - 'Affordable Range'</u>	2										
Rates and services charges:											
Property rates		124.65	134.62	141.35	149.83	149.83	149.83	6.0%	158.82	168.35	178.45
Electricity: Basic levy											
Electricity: Consumption		621.37	705.25	768.72	825.53	825.53	825.53	13.0%	875.06	927.57	983.22
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		64.04	67.88	71.27	75.55	75.55	75.55	6.0%	80.08	84.89	89.98
Other											
sub-total		810.06	907.75	981.34	1,050.91	1,050.91	1,050.91	6.0%	1,113.96	1,180.80	1,251.65
VAT on Services											
Total small household bill:		810.06	907.75	981.34	1,050.91	1,050.91	1,050.91	6.0%	1,113.96	1,180.80	1,251.65
% increase/-decrease			12.1%	8.1%	7.1%	-	-		6.0%	6.0%	6.0%
<u>Monthly Account for Household - 'Indigent' Household receiving free basic services</u>	3										
Rates and services charges:											
Property rates		76.19									
Electricity: Basic levy											
Electricity: Consumption		543.99	617.43	672.99	722.72	722.72	722.72	13.0%	766.08	812.05	860.77
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		620.18	617.43	672.99	722.72	722.72	722.72	6.0%	766.08	812.05	860.77
VAT on Services											
Total small household bill:		620.18	617.43	672.99	722.72	722.72	722.72	6.0%	766.08	812.05	860.77
% increase/-decrease			(0.4%)	9.0%	7.4%	-	-		6.0%	6.0%	6.0%

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The asset repairs and maintenance strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

**Table 7 Summary of operating expenditure by standard classification item**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Expenditure By Type</b>									
Employee related costs	2	56,391	62,101	71,117	67,946	67,946	79,637	84,380	89,527
Remuneration of councillors		4,360	4,601	5,037	5,908	5,908	5,326	5,641	5,985
Debt impairment	3	12,882	6,460	14,452	8,533	12,908	12,908	12,908	12,908
Depreciation & asset impairment	2	32,732	31,515	38,664	37,030	37,030	44,436	47,058	49,693
Finance charges		953	814	1,660	1,392	6,392	6,392	6,770	7,149
Bulk purchases	2	113,864	129,227	132,913	148,988	140,988	158,189	167,522	176,903
Other materials	8	8,152	8,961	10,326	11,856	13,961	14,137	14,971	15,810
Contracted services		3,997	11,223	10,143	10,906	10,886	10,886	10,885	10,885
Transfers and grants		25,843	1,165	6,143	8,537	8,537	8,537	9,041	9,547
Other expenditure	4, 5	23,701	27,590	32,292	34,093	43,607	45,520	48,205	50,905
Loss on disposal of PPE		2	845	407	-	-	-	-	-
<b>Total Expenditure</b>		<b>282,878</b>	<b>284,502</b>	<b>323,154</b>	<b>335,189</b>	<b>348,162</b>	<b>385,968</b>	<b>407,380</b>	<b>429,311</b>

The budgeted allocation for employee related costs for the 2015/16 financial year totals R79.6 million, which equals 20.63 per cent of the total operating expenditure. An annual increase of 5.9 and 5.6 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies might be filled with placement method due to the merger that will take place in 2016/17 financial year with Imbabazane Local Municipality.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 44 per cent for Rates, 42 per cent for Refuse and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R12.9 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R44 million for the 2015/16 financial and equates to 11.43 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and lease. Finance charges make up 1.66 per cent (R6.3 million) of operating expenditure. As previously noted, the Municipality has reached its prudential limits for borrowing because of poor cash flow position.

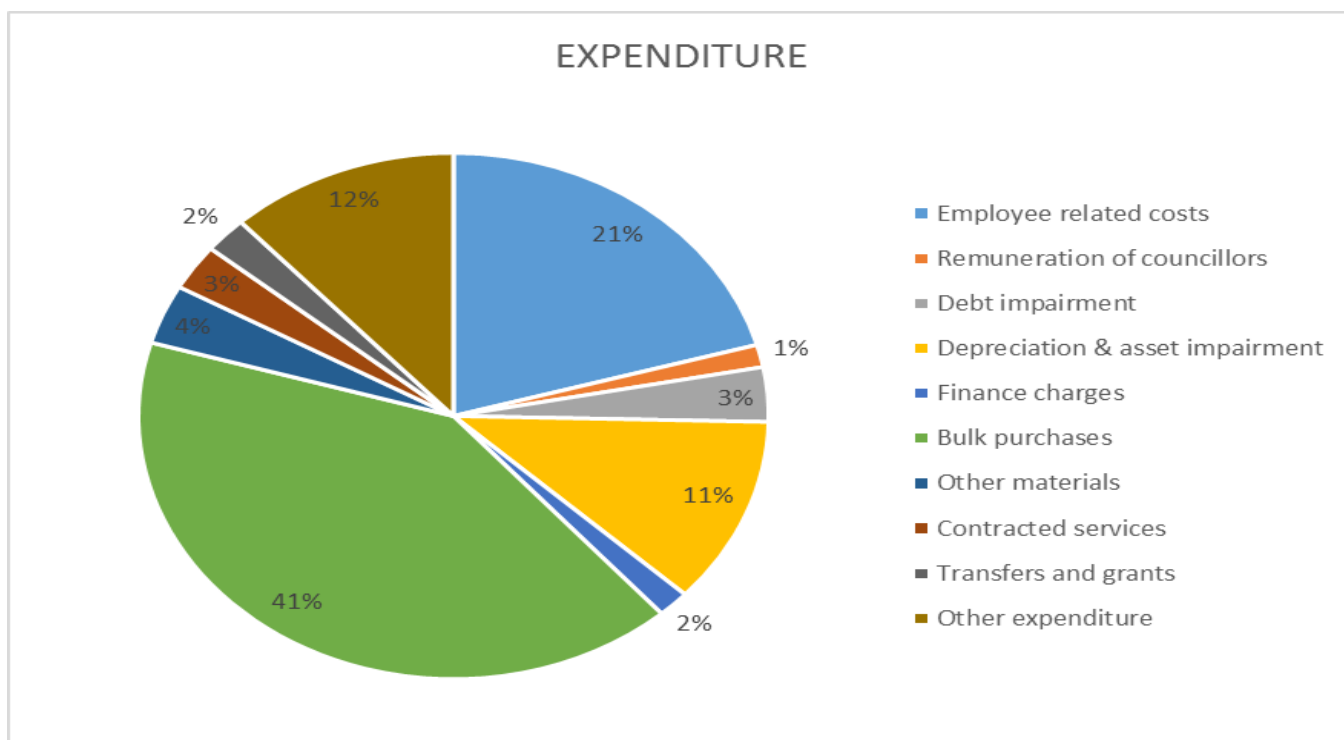
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2015/16 the appropriation against this group of expenditure has grown by 1.26 per cent (R176 000) and continues to grow at 5.9 and 5.6 per cent for the two outer years.

Contracted services comprises of Security Services. As part of the compilation of the 2015/16 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2015/16 financial year, this group of expenditure totals R10.8 million and has escalated by just 0 per cent, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5.9 and 5.6 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. Growth has been limited to 4.8 per cent for 2015/16 and curbed at 5.9 and 5.6 per cent for the two outer years.

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.



**Figure 1 Main operational expenditure categories for the 2015/16 financial year**

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 8 Operational repairs and maintenance**

Description	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand								
<b>Repairs and Maintenance</b>								
Employee related costs	56,391	62,101	71,117	67,946	67,946	79,637	84,380	89,527
Other materials	8,152	8,961	10,326	11,856	13,961	14,137	14,971	15,810
Contracted services	3,997	11,223	10,143	10,906	10,886	10,886	10,885	10,885
<b>Total Repairs and Maintenance</b>	<b>68,540</b>	<b>82,285</b>	<b>91,586</b>	<b>90,708</b>	<b>92,792</b>	<b>104,660</b>	<b>110,237</b>	<b>116,222</b>

During the compilation of the 2015/16 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 16.42 per cent in the 2015/16 financial year, from R92 million to R104 million. During the 2015 Adjustment Budget this allocation was adjusted slightly upwards to R2 million owing to the cash flow challenges faced by the Municipality. Notwithstanding this increase, as part of the 2015/16 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/16 equates to R104.6 million a growth of 16.4 per cent in relation to the Adjustment Budget and continues to grow at 5.9 and 5.6 per cent over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 27.12, 27.06 and 27.07 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

**Table 9 Repairs and maintenance per asset class**

Description	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>								
<b>Infrastructure</b>	25,092	26,597	–	13,540	13,540	10,342	10,953	11,566
Infrastructure - Road transport	12,904	13,678	–	7,934	7,934	3,800	4,024	4,250
<i>Roads, Pavements &amp; Bridges</i>	10,519	11,150		6,656	6,656	3,800	4,024	4,250
<i>Storm water</i>	2,385	2,528		1,278	1,278			
Infrastructure - Electricity	12,188	12,919	–	5,606	5,606	6,542	6,928	7,316
<i>Generation</i>				3,586	3,586			
<i>Transmission &amp; Reticulation</i>	12,188	12,919		2,020	2,020	6,542	6,928	7,316
<b>Community</b>	11,727	12,430	–	1,094	1,094	59	62	66
Parks & gardens	9,128	9,676		312	312			
Sportsfields & stadia	45	48		14	14	59	62	66
Community halls	2,257	2,392		399	399			
Fire, safety & emergency	35	37		81	81			
Security and policing	203	215		288	288			
Museums & Art Galleries	7	7						
Cemeteries	52	55						
<b>Other assets</b>	15,221	16,136	–	52,755	52,755	3,736	3,956	4,178
General vehicles	250	265				1,466	1,552	1,639
Plant & equipment	1,312	1,391		840	840	354	375	396
Furniture and other office equipment	100	106		57	57	103	109	115
Civic Land and Buildings	150	159		527	527	1,374	1,455	1,536
Other	13,409	14,215		51,331	51,331	440	466	492
<b>Intangibles</b>	556	589	–	–	–	–	–	–
Computers - software & programming	556	589						
<b>Total Repairs and Maintenance Expend</b>	<b>52,596</b>	<b>55,752</b>	<b>–</b>	<b>67,389</b>	<b>67,389</b>	<b>14,137</b>	<b>14,971</b>	<b>15,810</b>

For the 2015/16 financial year, 73.16 per cent or R10.3 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant

proportion of this allocation totalling 46.28 per cent (R6.5 million), followed by road infrastructure at 26.88 per cent (R3.8 million). Community assets has been allocated R59 000 of total repairs and maintenance equating to 0.42 per cent.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 7 000 or more indigent households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

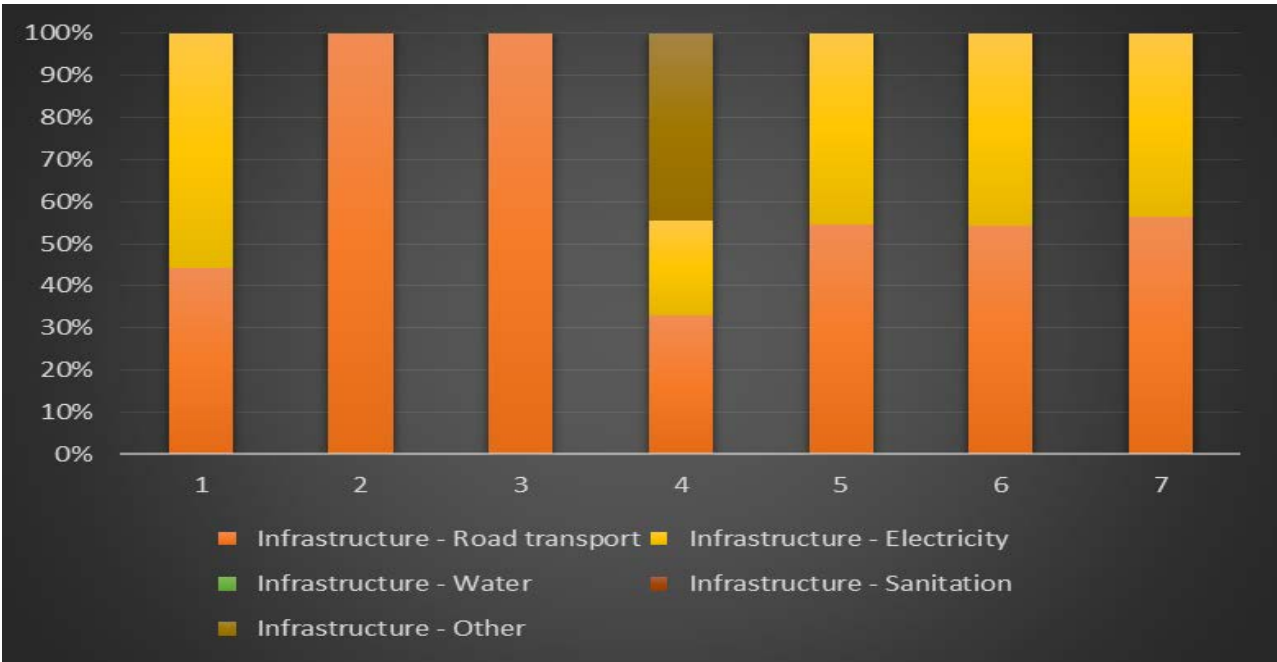
The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 10 2015/16 Medium-term capital budget per vote**

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1								
<b>Capital Expenditure - Standard</b>									
<i>Governance and administration</i>		774	273	-	1,633	3,959	190	-	-
Executive and council		-	-	-	-	-	30		
Budget and treasury office		50	-	-	158	100	130		
Corporate services		724	273	-	1,475	3,859	30		
<i>Community and public safety</i>		4,692	649	2,209	3,406	28,365	30	-	-
Community and social services		4,682	649	2,209	3,406	28,365	30		
Health		10	-						
<i>Economic and environmental services</i>		12,447	28,953	11,539	18,061	17,637	17,985	18,514	19,352
Planning and development		4,168	230		-	-			
Road transport		8,279	28,722	11,539	18,061	17,637	17,985	18,514	19,352
Environmental protection		-							
<i>Trading services</i>		6,546	-	12,230	12,400	10,028	15,030	15,700	15,000
Electricity		6,456		12,230	12,400	10,028	15,030	15,700	15,000
Waste water management		90							
<b>Total Capital Expenditure - Standard</b>	3	24,459	29,875	25,979	35,499	59,989	33,235	34,214	34,352

For 2015/16 an amount of R33.2 million has been appropriated for the development of infrastructure, however, the R32.9 million of the above total capital expenditure has been allocated to the renewal of existing assets due to lack of project information from the relevant departments within the municipality. The Electrical and PECS department did submit the Capital projects but the CFO could make time to engage the Directors of those departments in time before the draft annual budget is tabled to the Council. The programs shall be detailed adequately in the final annual budget.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



**Figure 2 Capital Infrastructure Programme**

**1.6.1 Future operational cost of new infrastructure**

The future operational costs and revenues associated with the capital programmes cannot be stated at the moments due to lack of the information thereof.

**1.7 Annual Budget Tables - Parent Municipality**

The following pages present the ten main budget tables as required in terms of regulations 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

### Table 11 MBRR Table A1 - Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Financial Performance</b>										
Property rates	40 393	43 704	63 163	60 404	64 260	71 282	71 282	67 967	72 045	76 368
Service charges	147 417	163 355	275 220	196 415	179 415	174 117	174 117	202 355	222 359	244 348
Investment revenue	–	–	1 775	2 211	2 250	440	440	3 162	3 352	3 553
Transfers recognised - operational	30 694	36 202	40 546	45 778	45 331	45 778	45 778	58 252	57 959	59 386
Other own revenue	10 635	10 233	9 314	11 613	11 199	10 404	10 404	12 596	13 351	14 153
<b>Total Revenue (excluding capital transfers and contributions)</b>	229 139	253 494	290 018	316 421	302 455	302 020	302 020	344 332	369 066	397 808
Employee costs	56 391	62 101	71 117	67 946	67 946	73 211	73 211	79 637	84 380	89 527
Remuneration of councillors	4 360	4 601	5 037	5 908	5 908	5 101	5 101	5 326	5 641	5 985
Depreciation & asset impairment	32 170	31 515	32 561	37 030	37 030	37 030	37 030	44 436	47 058	49 693
Finance charges	953	814	1 660	1 392	6 392	7 167	7 167	6 392	6 792	7 149
Materials and bulk purchases	121 819	138 188	143 239	160 844	154 949	135 258	135 258	172 326	182 493	192 713
Transfers and grants	1 941	1 165	1 967	8 537	8 537	8 537	8 537	9 041	9 947	9 547
Other expenditure	37 838	46 118	57 294	53 532	67 401	65 666	65 666	69 314	71 098	74 698
<b>Total Expenditure</b>	255 471	284 502	312 875	335 189	348 162	331 970	331 970	385 968	407 380	429 311
<b>Surplus/(Deficit)</b>	(26 332)	(31 008)	(22 857)	(18 768)	(45 707)	(29 950)	(29 950)	(41 635)	(38 314)	(31 503)
Transfers recognised - capital	15 811	30 691	31 406	28 615	45 439	28 615	28 615	32 955	34 214	34 352
Contributions recognised - capital & contributions	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	(10 521)	(317)	8 548	9 847	(268)	(1 335)	(1 335)	(8 680)	(4 100)	2 849
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	(10 521)	(317)	8 548	9 847	(268)	(1 335)	(1 335)	(8 680)	(4 100)	2 849
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	24 459	29 875	25 979	35 499	59 989	59 989	59 989	33 235	34 214	34 352
Transfers recognised - capital	15 811	20 084	10 390	29 265	45 439	45 439	45 439	33 055	34 214	34 352
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	4 928	7 200	11 539	–	2 500	2 500	2 500	–	–	–
Internally generated funds	3 720	2 591	4 050	6 234	12 050	12 050	12 050	180	–	–
<b>Total sources of capital funds</b>	24 459	29 875	25 979	35 499	59 989	59 989	59 989	33 235	34 214	34 352
<b>Financial position</b>										
Total current assets	85 516	99 768	141 882	99 332	99 332	99 332	99 332	67 086	69 823	75 608
Total non current assets	631 847	630 631	638 631	613 246	613 246	613 246	613 246	663 068	702 344	743 977
Total current liabilities	49 405	58 603	75 130	63 566	59 066	59 066	59 066	38 899	40 752	42 715
Total non current liabilities	23 991	25 096	35 073	25 565	25 565	25 565	25 565	30 154	31 963	33 881
Community wealth/Equity	643 966	646 700	670 310	623 447	627 947	627 947	627 947	661 101	699 452	742 9



## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. Although the Cash flow has a positive balance, the municipality's cash flow position is still weak. Hence the municipality has decided to keep its internally generated capital funding low.
4. The Municipality plans to work hard on collecting its old debt. The revenue section has put a plan in action in this regard, as the municipality is putting great emphasis on regaining its financial stability.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 12 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN234 Umtshezi - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		63 434	79 617	109 052	106 914	114 554	181 704	130 006	138 964	148 919
Executive and council		1 123	1 680	2 361	2 973	3 113	362	3 261	3 485	3 735
Budget and treasury office		62 233	77 914	105 975	103 624	111 274	180 024	126 568	135 290	144 981
Corporate services		78	23	716	317	167	1 318	177	189	203
<i>Community and public safety</i>		1 763	1 443	4 569	3 708	3 557	3 968	3 534	3 778	4 048
Community and social services		1 286	1 258	3 040	2 956	3 084	3 839	2 917	3 118	3 341
Sport and recreation		66	28	1 466	131	73	47	172	184	197
Public safety		411	157	62	620	399	83	445	476	510
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		22 490	27 557	25 164	23 658	39 214	14 061	25 169	26 902	28 829
Planning and development		7 270	7 263	9 369	-	15 624	-	-	-	-
Road transport		15 220	20 293	15 795	23 658	23 590	14 061	25 169	26 902	28 829
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		150 723	167 767	182 639	210 755	190 569	130 902	218 578	233 635	250 364
Electricity		147 955	162 414	175 610	203 276	185 089	124 759	212 770	227 427	243 711
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		2 769	5 353	7 029	7 479	5 479	6 143	5 808	6 208	6 653
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	238 410	276 384	321 423	345 036	347 894	330 635	377 287	403 280	432 160
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		23 850	79 410	74 275	82 386	90 921	136 018	95 524	100 823	106 251
Executive and council		12 522	16 529	18 813	20 510	20 860	17 775	20 067	21 180	22 320
Budget and treasury office		5 381	56 747	45 693	51 460	59 718	103 384	62 069	65 513	69 039
Corporate services		5 947	6 134	9 770	10 416	10 343	14 859	13 388	14 130	14 891
<i>Community and public safety</i>		36 181	35 695	35 164	33 451	38 458	27 086	45 287	47 799	50 372
Community and social services		25 008	24 845	20 661	21 632	23 970	10 845	27 375	28 894	30 449
Sport and recreation		5 645	4 891	6 196	4 372	6 612	6 022	7 054	7 445	7 846
Public safety		5 528	5 960	8 307	7 447	7 876	10 219	10 858	11 460	12 077
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		30 022	23 481	39 410	38 842	41 635	20 762	46 312	48 881	51 512
Planning and development		7 313	8 632	12 554	13 232	14 663	9 392	13 575	14 328	15 099
Road transport		22 709	14 849	26 857	25 610	26 972	11 370	32 737	34 553	36 413
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		165 029	145 682	163 745	179 947	176 567	147 792	198 425	209 433	220 707
Electricity		160 694	141 932	158 308	174 709	170 876	137 997	191 897	202 543	213 447
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4 335	3 750	5 437	5 238	5 690	9 795	6 528	6 890	7 261
<i>Other</i>	4	369	234	281	562	582	312	421	444	468
<b>Total Expenditure - Standard</b>	3	255 451	284 502	312 875	335 189	348 162	331 970	385 968	407 380	429 311
<b>Surplus/(Deficit) for the year</b>		(17 041)	(8 117)	8 548	9 847	(268)	(1 335)	(8 680)	(4 100)	2 849

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 06 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the other departments.

**Table 13 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

KZN234 Umtshezi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)									
Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue by Vote</b>									
Vote 1 - CORPORATE SERVICES	7 323	7 745	10 925	12 406	12 303	11 397	13 161	14 068	15 075
Vote 2 - MUNICIPAL MANAGER	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT	62 233	77 914	105 975	103 624	111 274	180 024	126 568	135 290	144 981
Vote 4 - CIVIL SERVICES	10 784	15 588	10 942	18 006	17 938	8 145	18 687	19 974	21 404
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES	16 656	20 523	17 972	7 724	21 290	6 310	6 101	6 521	6 988
Vote 6 - ELECTRICAL SERVICES	147 955	162 414	175 610	203 276	185 089	124 759	212 770	227 427	243 711
<b>Total Revenue by Vote</b>	<b>244 951</b>	<b>284 185</b>	<b>321 423</b>	<b>345 036</b>	<b>347 894</b>	<b>330 635</b>	<b>377 287</b>	<b>403 280</b>	<b>432 160</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote 1 - CORPORATE SERVICES	25 894	29 155	38 549	41 500	41 408	45 024	46 206	48 769	51 394
Vote 2 - MUNICIPAL MANAGER	1 048	1 549	1 851	1 513	1 573	1 225	1 251	1 320	1 391
Vote 3 - FINANCE DEPARTMENT	5 381	56 747	45 693	51 460	59 718	103 384	62 069	65 513	69 039
Vote 4 - CIVIL SERVICES	20 695	12 705	25 190	22 964	24 325	8 932	30 956	32 673	34 432
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES	41 759	42 414	43 284	43 043	50 263	35 407	53 590	56 563	59 607
Vote 6 - ELECTRICAL SERVICES	160 694	141 932	158 308	174 709	170 876	137 997	191 897	202 543	213 447
<b>Total Expenditure by Vote</b>	<b>255 471</b>	<b>284 502</b>	<b>312 875</b>	<b>335 189</b>	<b>348 162</b>	<b>331 970</b>	<b>385 968</b>	<b>407 380</b>	<b>429 311</b>
<b>Surplus/(Deficit) for the year</b>	<b>(10 521)</b>	<b>(317)</b>	<b>8 548</b>	<b>9 847</b>	<b>(268)</b>	<b>(1 335)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

**Table 14 Surplus/(Deficit) calculations for the trading services**

Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Electricity</b>									
Total Revenue (incl capital grants and transfers)	147,955	162,414	175,610	203,276	185,089	124,759	212,770	227,427	243,711
Operating Expenditure	160,694	141,932	15,831	174,709	170,876	137,997	191,897	202,543	213,447
<b>Surplus/(deficit) for the year</b>	<b>(12,739)</b>	<b>20,482</b>	<b>159,779</b>	<b>28,567</b>	<b>14,213</b>	<b>(13,238)</b>	<b>20,873</b>	<b>24,884</b>	<b>30,264</b>
<b>Percentage Surplus</b>	<b>-9%</b>	<b>13%</b>	<b>91%</b>	<b>14%</b>	<b>8%</b>	<b>-11%</b>	<b>10%</b>	<b>11%</b>	<b>12%</b>
<b>Refuse</b>									
Total Revenue (incl capital grants and transfers)	2,769	5,353	7,029	7,479	5,479	6,143	5,808	6,208	6,653
Operating Expenditure	4,335	3,750	5,437	5,238	5,690	9,795	6,528	6,890	7,261
<b>Surplus/(deficit) for the year</b>	<b>(1,566)</b>	<b>1,603</b>	<b>1,592</b>	<b>2,241</b>	<b>(211)</b>	<b>(3,652)</b>	<b>(720)</b>	<b>(682)</b>	<b>(608)</b>
<b>Percentage Surplus</b>	<b>-57%</b>	<b>30%</b>	<b>23%</b>	<b>30%</b>	<b>-4%</b>	<b>-59%</b>	<b>-12%</b>	<b>-11%</b>	<b>-9%</b>

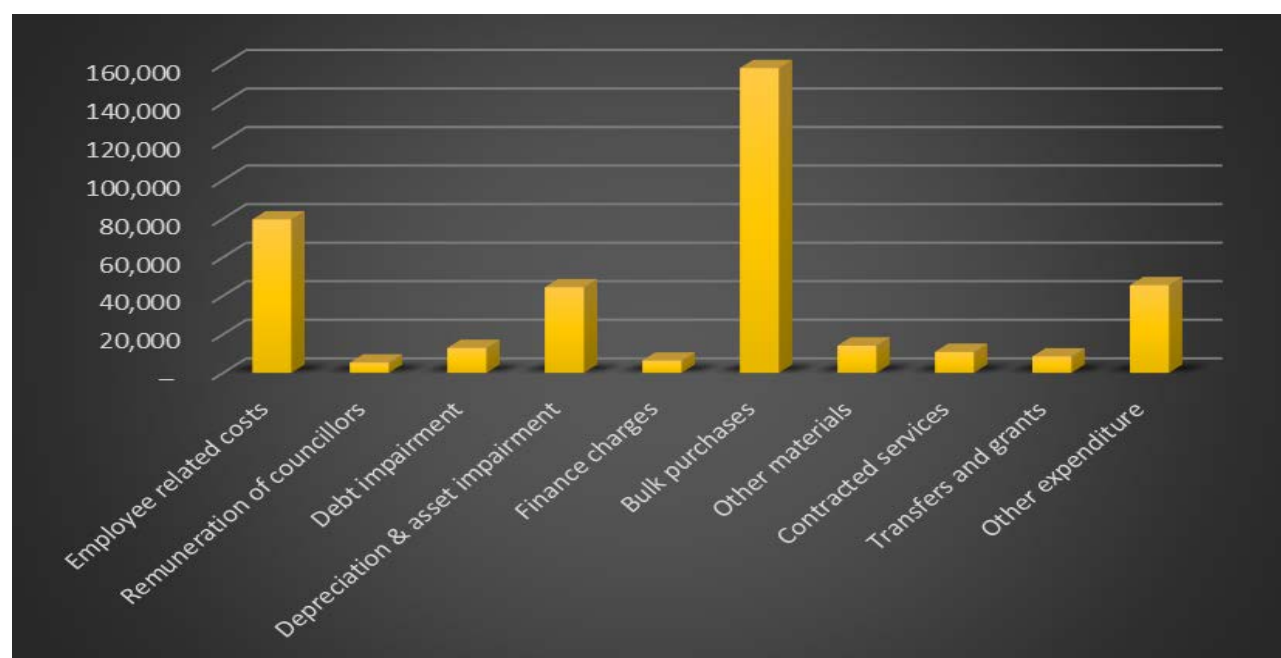
- The electricity trading surplus is improving over the 2015/16 MTREF from 10 per cent or R20.8 million in 2015/16 to 11 per cent by 2016/17.

**Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>										
Property rates	35 131	38 106	55 998	54 206	54 206	61 316	61 316	57 310	60 749	64 394
Property rates - penalties & collection charges	5 262	5 598	7 165	6 198	10 054	9 965	9 965	10 657	11 296	11 974
Service charges - electricity revenue	141 629	158 001	168 691	188 937	173 937	167 975	167 975	196 549	216 204	237 824
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	5 788	5 353	6 529	7 478	5 478	6 141	6 141	5 806	6 155	6 524
Service charges - other	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	435	387	463	490	130	182	182	351	372	395
Interest earned - external investments	-	-	1 775	2 211	2 250	440	440	3 162	3 352	3 553
Interest earned - outstanding debtors	1 729	2 261	668	1 912	1 912	500	500	2 027	2 148	2 277
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines	196	46	101	122	62	82	82	87	92	98
Licences and permits	4 687	4 705	4 854	5 440	5 440	5 917	5 917	6 257	6 632	7 030
Agency services	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational	30 694	36 202	40 546	45 778	45 331	45 778	45 778	58 252	57 959	59 386
Other revenue	3 588	2 833	3 228	3 649	3 655	3 723	3 723	3 874	4 106	4 353
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>229 139</b>	<b>253 494</b>	<b>290 018</b>	<b>316 421</b>	<b>302 455</b>	<b>302 020</b>	<b>302 020</b>	<b>344 332</b>	<b>369 066</b>	<b>397 808</b>
<b>Expenditure By Type</b>										
Employee related costs	56 391	62 101	71 117	67 946	67 946	73 211	73 211	79 637	84 380	89 527
Remuneration of councillors	4 360	4 601	5 037	5 908	5 908	5 101	5 101	5 326	5 641	5 985
Debt impairment	12 882	6 460	14 452	8 533	12 908	8 533	8 533	12 908	12 908	12 908
Depreciation & asset impairment	32 170	31 515	32 561	37 030	37 030	37 030	37 030	44 436	47 058	49 693
Finance charges	953	814	1 660	1 392	6 392	7 167	7 167	6 392	6 770	7 149
Bulk purchases	113 864	129 227	132 913	148 988	140 988	126 439	126 439	158 189	167 522	176 903
Other materials	7 955	8 961	10 326	11 856	13 961	8 818	8 818	14 137	14 971	15 810
Contracted services	3 997	11 223	10 143	10 906	10 886	9 786	9 786	10 886	10 885	10 885
Transfers and grants	1 941	1 165	1 967	8 537	8 537	8 537	8 537	8 537	9 041	9 547
Other expenditure	20 956	27 590	32 292	34 093	43 607	47 346	47 346	45 520	48 205	50 905
Loss on disposal of PPE	2	845	407	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>255 471</b>	<b>284 502</b>	<b>312 875</b>	<b>335 189</b>	<b>348 162</b>	<b>331 970</b>	<b>331 970</b>	<b>385 968</b>	<b>407 380</b>	<b>429 311</b>
<b>Surplus/(Deficit)</b>	<b>(26 332)</b>	<b>(31 008)</b>	<b>(22 857)</b>	<b>(18 768)</b>	<b>(45 707)</b>	<b>(29 950)</b>	<b>(29 950)</b>	<b>(41 635)</b>	<b>(38 314)</b>	<b>(31 503)</b>
Transfers recognised - capital	15 811	30 691	31 406	28 615	45 439	28 615	28 615	32 955	34 214	34 352
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(10 521)</b>	<b>(317)</b>	<b>8 548</b>	<b>9 847</b>	<b>(268)</b>	<b>(1 335)</b>	<b>(1 335)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>
Taxation	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>(10 521)</b>	<b>(317)</b>	<b>8 548</b>	<b>9 847</b>	<b>(268)</b>	<b>(1 335)</b>	<b>(1 335)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>(10 521)</b>	<b>(317)</b>	<b>8 548</b>	<b>9 847</b>	<b>(268)</b>	<b>(1 335)</b>	<b>(1 335)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(10 521)</b>	<b>(317)</b>	<b>8 548</b>	<b>9 847</b>	<b>(268)</b>	<b>(1 335)</b>	<b>(1 335)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R377.6 million in 2015/16 and escalates to R432.5 million by 2017/18. This represents a year-on-year increase of 6.89 per cent for the 2016/17 financial year and 7.16 per cent for the 2017/18 financial year.
2. Revenue to be generated from property rates is R57.3 million in the 2015/16 financial year and increases to R64.3 by 2017/18 which represents 14.87 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R202.3 million for the 2015/16 financial year and increasing to R244.3 by 2017/18. For the 2015/16 financial year services charges amount to 53.58 per cent of the total revenue base and grows by 1.5 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 27.25 per cent and 1.95 per cent for the two outer years. The percentage share of this revenue source declines due to the more rapid relative growth in service charge revenues.
5. The following graph illustrates the major expenditure items per type.



**Figure 3 Expenditure by major type**

6. Bulk purchases have significantly increased over the 2011/12 to 2015/16 period escalating from R113.8 million to R158.1 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.

7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

KZN234 Umtshezi - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding									2015/16 medium term Revenue & Expenditure Framework		
Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome			
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
1,1 - Corporate Services		119	273	-	925	3,309	3,309	-	30	-	-
2,1 - Municipal Manager		3	-	-	-	-	-	-	30	-	-
3,1 - Finance and Administration		50	-	-	158	100	100	-	130	-	-
4,1 - Civil Administration		-	28,722	-	-	-	-	-	-	-	-
5,1 - Parks Administration		4,913	230	-	-	-	-	-	-	-	-
6,1 - Electrical Department		-	-	12,230	12,400	10,028	10,028	-	15,030	15,700	15,000
<b>Capital single-year expenditure sub-total</b>		<b>5,085</b>	<b>29,225</b>	<b>12,230</b>	<b>13,483</b>	<b>13,438</b>	<b>13,437</b>	<b>-</b>	<b>15,220</b>	<b>15,700</b>	<b>15,000</b>
<b>Total Capital Expenditure - Vote</b>		<b>5,085</b>	<b>29,225</b>	<b>12,230</b>	<b>13,483</b>	<b>13,438</b>	<b>13,437</b>	<b>-</b>	<b>15,220</b>	<b>15,700</b>	<b>15,000</b>
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		774	273	-	1,633	3,959	-	-	190	-	-
Executive and council		-	-	-	-	-			30		
Budget and treasury office		50	-	-	158	100			130		
Corporate services		724	273	-	1,475	3,859			30		
<i>Community and public safety</i>		4,692	649	2,209	3,406	28,365	-	-	30	-	-
Community and social services		4,682	649	2,209	3,406	28,365			30		
Health		10	-								
<i>Economic and environmental services</i>		12,447	28,953	11,539	18,061	17,637	-	-	17,985	18,514	19,352
Planning and development		4,168	230		-	-					
Road transport		8,279	28,722	11,539	18,061	17,637			17,985	18,514	19,352
Environmental protection		-									
<i>Trading services</i>		6,546	-	12,230	12,400	10,028	-	-	15,030	15,700	15,000
Electricity		6,456		12,230	12,400	10,028			15,030	15,700	15,000
Water											
Waste water management		90									
<b>Total Capital Expenditure - Standard</b>	<b>3</b>	<b>24,459</b>	<b>29,875</b>	<b>25,979</b>	<b>35,499</b>	<b>59,989</b>	<b>-</b>	<b>-</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>
<b>Funded by:</b>											
National Government			10,209	10,390	28,715	41,889			33,055	34,214	34,352
Provincial Government		15,811	9,875	-	550	3,550					
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	15,811	20,084	10,390	29,265	45,439	-	-	33,055	34,214	34,352
Public contributions & donations	5										
Borrowing	6	4,928	7,200	11,539		2,500					
Internally generated funds		3,720	2,591	4,050	6,234	12,050			180		
<b>Total Capital Funding</b>	<b>7</b>	<b>24,459</b>	<b>29,875</b>	<b>25,979</b>	<b>35,499</b>	<b>59,989</b>	<b>-</b>	<b>-</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>



**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to single-year appropriations, for 2015/16 R33 million has been allocated of the total R33.2 capital budget, which totals 99 per cent. This allocation escalates to R34 million in 2016/17 and then escalates slightly to R34.3 in 2017/18.
3. The capital programme is funded from capital and provincial grants and transfers, borrowing and internally generated funds from current year surpluses. For 2015/16, capital transfers totals R32.9 million with R100 000 added to Capital from FMG (99 per cent) and escalates to R34.2 by 2016/17 (100 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

**Table 17 MBRR Table A6 - Budgeted Financial Position**

KZN234 Umtshezi - Table A6 Budgeted Financial Position											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		13,366	13,523	7,349	1,409	1,409	1,409	1,409	2,155	4,578	6,576
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	–	–	–	–	–	–	–	–	–	–
Other debtors		12,833	13,588	45,689	17,277	17,277	17,277	17,277	297	297	297
Current portion of long-term receivables		184	555	508	–	–	–	–	508	508	508
Inventory	2	550	1,488	1,290	1,574	1,574	1,574	1,574	1,323	1,323	1,323
<b>Total current assets</b>		<b>26,934</b>	<b>29,153</b>	<b>54,835</b>	<b>20,260</b>	<b>20,260</b>	<b>20,260</b>	<b>20,260</b>	<b>4,284</b>	<b>6,707</b>	<b>8,705</b>
<b>Non current assets</b>											
Long-term receivables		722	555	–	584	584	584	584	–	–	–
Investments		98	103	72	–	–	–	–	–	–	–
Investment property		–	–	–	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	–	–	–	–	–	–	–	–	–	–
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		186	438	438	–	–	–	–	216	216	216
Other non-current assets		1,228	8,245	8,245	–	–	–	–	8,245	8,245	8,245
<b>Total non current assets</b>		<b>2,234</b>	<b>9,341</b>	<b>8,755</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>584</b>	<b>8,461</b>	<b>8,461</b>	<b>8,461</b>
<b>TOTAL ASSETS</b>		<b>29,167</b>	<b>38,494</b>	<b>63,590</b>	<b>20,844</b>	<b>20,844</b>	<b>20,844</b>	<b>20,844</b>	<b>12,745</b>	<b>15,167</b>	<b>17,165</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		2,620	2,845	3,041	3,036	3,036	3,036	3,036	3,041	3,041	3,041
Trade and other payables	4	–	–	–	–	–	–	–	–	–	–
Provisions		8,500	7,249	8,959	17,923	17,923	17,923	17,923	4,991	4,991	4,991
<b>Total current liabilities</b>		<b>11,120</b>	<b>10,093</b>	<b>12,000</b>	<b>20,959</b>	<b>20,959</b>	<b>20,959</b>	<b>20,959</b>	<b>8,032</b>	<b>8,032</b>	<b>8,032</b>
<b>Non current liabilities</b>											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		–	–	–	–	–	–	–	–	–	–
<b>Total non current liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>11,120</b>	<b>10,093</b>	<b>12,000</b>	<b>20,959</b>	<b>20,959</b>	<b>20,959</b>	<b>20,959</b>	<b>8,032</b>	<b>8,032</b>	<b>8,032</b>
<b>NET ASSETS</b>	5	<b>18,048</b>	<b>28,401</b>	<b>51,590</b>	<b>(115)</b>	<b>(115)</b>	<b>(115)</b>	<b>(115)</b>	<b>4,713</b>	<b>7,136</b>	<b>9,134</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		642,871	645,605	669,214	622,352	626,852	626,852	626,852	656,747	698,357	741,894
Reserves	4	643,966	646,700	670,310	623,447	627,947	627,947	627,947	657,842	699,452	742,989
Minorities' interests		–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>1,286,838</b>	<b>1,292,305</b>	<b>1,339,524</b>	<b>1,245,799</b>	<b>1,254,799</b>	<b>1,254,799</b>	<b>1,254,799</b>	<b>1,314,589</b>	<b>1,397,810</b>	<b>1,484,884</b>

## **Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 18 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges	203 053	212 917	248 981	240 837	216 657	230 055	230 055	46 995	49 814	52 803
Service charges	–	–	–	–	–	–	–	197 510	209 360	221 922
Other revenue	–	–	–	–	–	–	–	64 596	64 684	66 514
Government - operating	30 327	34 159	40 546	45 778	45 778	45 778	45 778	–	–	–
Government - capital	29 830	35 030	31 406	28 615	28 615	29 739	29 739	–	–	–
Interest	1 729	2 261	2 443	2 211	2 250	417	417	3 513	3 724	3 947
Dividends	–	–	–	–	–	–	–	–	–	–
<b>Payments</b>										
Suppliers and employees	(225 358)	(246 735)	(266 283)	(279 696)	(283 295)	(175 760)	(175 760)	(256 517)	(265 267)	(280 543)
Finance charges	(953)	(814)	(35)	(1 392)	(1 392)	(3 330)	(3 330)	(5 326)	(5 641)	(5 985)
Transfers and Grants	–	–	–	–	–	–	–	(10 886)	(10 885)	(10 885)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>38 627</b>	<b>36 818</b>	<b>57 058</b>	<b>36 353</b>	<b>8 613</b>	<b>126 900</b>	<b>126 900</b>	<b>39 884</b>	<b>45 790</b>	<b>47 774</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	252	1 072	407	–	–	–	–	32 955	34 214	34 352
Decrease (Increase) in non-current debtors	–	352	47	134	134	134	134	5	5	5
Decrease (Increase) other non-current receivables	1 552	(310)	(12 743)	–	–	–	–	–	–	–
Decrease (Increase) in non-current investments	(16 746)	(5 162)	(4 042)	(96)	(96)	(96)	(96)	584	619	657
<b>Payments</b>										
Capital assets	(24 537)	(29 875)	(45 713)	(35 499)	(28 615)	(27 051)	(27 051)	–	–	–
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(39 479)</b>	<b>(33 924)</b>	<b>(62 044)</b>	<b>(35 461)</b>	<b>(28 577)</b>	<b>(27 013)</b>	<b>(27 013)</b>	<b>33 544</b>	<b>34 838</b>	<b>35 014</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans	–	(864)	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	5 040	(1 873)	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–
<b>Payments</b>										
Repayment of borrowing	(764)	–	(1 188)	(1 329)	(1 329)	(1 329)	(1 329)	(29 644)	(34 214)	(34 352)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>4 276</b>	<b>(2 737)</b>	<b>(1 188)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(29 644)</b>	<b>(34 214)</b>	<b>(34 352)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3 424</b>	<b>157</b>	<b>(6 175)</b>	<b>(437)</b>	<b>(21 293)</b>	<b>98 557</b>	<b>98 557</b>	<b>43 784</b>	<b>46 414</b>	<b>48 435</b>
Cash/cash equivalents at the year begin:	9 942	13 366	13 523	29 604	29 604	7 349	7 349	2 138	45 922	92 336
Cash/cash equivalents at the year end:	13 366	13 523	7 349	29 167	8 311	105 906	105 906	45 922	92 336	140 772

**Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	13,366	13,523	7,349	29,167	8,311	105,906	105,906	6,228	8,895	11,152
Other current investments > 90 days		22,347	27,503	31,576	1,447	22,303	(75,292)	(75,292)	(0)	(0)	1
Non current assets - Investments	1	98	103	72	-	-	-	-	-	-	-
Cash and investments available:		35,811	41,130	38,997	30,614	30,614	30,614	30,614	6,228	8,895	11,152
Application of cash and investments											
Unspent conditional transfers		16,045	16,841	18,922	26,449	26,449	26,449	26,449	3,591	3,806	4,035
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	(30,530)	(24,966)	(61,609)	(45,937)	(47,244)	(50,583)	(50,583)	(28,779)	(29,129)	(29,440)
Other provisions					14,140						
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5				1,095						
Total Application of cash and investments:		(14,486)	(8,125)	(42,687)	(4,253)	(20,795)	(24,134)	(24,134)	(25,188)	(25,323)	(25,405)
Surplus(shortfall)		50,297	49,255	81,684	34,867	51,409	54,748	54,748	31,416	34,218	36,557

### **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2014/15 to 2015/16 period owing directly to a net decrease in cash for the 2015/16 financial year of R2 million.
4. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
6. The 2015/16 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R6.2 million as at the end of the 2015/16 financial year and escalates to R11.1 by 2017/18.
8. Spending on Bulk Purchases has been forecasted to be less by 5% because of load shedding and MIG with 80% spending is projected for 2015/16 FY.

### **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2011/12 to 2015/16 the surplus deteriorated from R50.2 million to R30.3 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2015/16 MTREF was funded owing to the significant surplus.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2015/16 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

**Table 20 MBRR Table A9 - Asset Management**

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	39,111	29,874	25,979	25,499	49,989	–	18,235	18,514	19,352
Infrastructure - Road transport	8,279	28,722	25,979	18,061	18,061	–	17,955	18,514	19,352
Infrastructure - Sanitation	10,456	–	–	2,400	2,400	–	–	–	–
Infrastructure	18,735	28,722	25,979	20,461	44,951	–	17,955	18,514	19,352
Community	5,128	–	–	3,406	3,406	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	13,682	–	–	–	–	–	–	–	–
Other assets	1,566	1,152	–	1,633	1,633	–	280	–	–
<b>Total Renewal of Existing Assets</b>	–	–	–	10,000	10,000	–	15,000	15,700	15,000
Infrastructure - Road transport	–	–	–	–	–	–	–	–	–
Infrastructure - Electricity	–	–	–	10,000	10,000	–	15,000	15,700	15,000
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	10,000	10,000	–	15,000	15,700	15,000
<b>Total Capital Expenditure</b>									
Infrastructure - Road transport	8,279	28,722	25,979	18,061	18,061	–	17,955	18,514	19,352
Infrastructure - Electricity	10,456	–	–	12,400	12,400	–	15,000	15,700	15,000
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	24,490	–	–	–	–
Infrastructure	18,735	28,722	25,979	30,461	54,951	–	32,955	34,214	34,352
Community	5,128	–	–	3,406	3,406	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	13,682	–	–	–	–	–	–	–	–
Other assets	1,566	1,152	–	1,633	1,633	–	280	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	<b>39,111</b>	<b>29,874</b>	<b>25,979</b>	<b>35,499</b>	<b>59,989</b>	<b>–</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
Infrastructure - Road transport	229,389	186,387	–	183,799	183,799	183,799	192,939	204,515	216,786
Infrastructure - Electricity	68,304	55,916	–	55,140	55,140	55,140	57,882	61,354	65,036
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	20,142	43,490	–	42,886	42,886	42,886	45,019	47,720	50,583
Infrastructure	317,835	285,793	–	281,824	281,824	281,824	295,839	313,590	332,405
Community	22,517	18,639	–	18,380	18,380	18,380	19,294	20,451	21,679
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	320,727	316,858	–	312,458	312,458	312,458	327,780	347,446	368,293
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	186	438	438	–	–	–	216	216	216
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>661,265</b>	<b>621,728</b>	<b>438</b>	<b>612,662</b>	<b>612,662</b>	<b>612,662</b>	<b>643,129</b>	<b>681,704</b>	<b>722,593</b>
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	32,170	31,515	32,561	37,030	37,030	37,030	44,436	47,058	49,693
<b>Repairs and Maintenance by Asset Class</b>	52,596	55,752	–	67,389	67,389	–	14,137	14,971	15,810
Infrastructure - Road transport	12,904	13,678	–	7,934	7,934	–	3,800	4,024	4,250
Infrastructure - Electricity	12,188	12,919	–	5,606	5,606	–	6,542	6,928	7,316
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	25,092	26,597	–	13,540	13,540	–	10,342	10,953	11,566
Community	11,727	12,430	–	1,094	1,094	–	59	62	66
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	15,777	16,725	–	52,755	52,755	–	3,736	3,956	4,178
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	<b>84,766</b>	<b>87,267</b>	<b>32,561</b>	<b>104,419</b>	<b>104,419</b>	<b>37,030</b>	<b>58,573</b>	<b>62,029</b>	<b>65,503</b>
<b>Renewal of Existing Assets as % of total capex</b>	0.0%	0.0%	0.0%	28.2%	16.7%	0.0%	45.1%	45.9%	43.7%
<b>Renewal of Existing Assets as % of deprecn"</b>	0.0%	0.0%	0.0%	27.0%	27.0%	0.0%	33.8%	33.4%	30.2%
<b>R&amp;M as a % of PPE</b>	8.4%	9.0%	0.0%	11.0%	11.0%	0.0%	2.2%	2.2%	2.1%
<b>Renewal and R&amp;M as a % of PPE</b>	8.0%	9.0%	0.0%	13.0%	13.0%	0.0%	5.0%	4.0%	4.0%

### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations due to cash flow problems.



**Table 21 MBRR Table A10 - Basic Service Delivery Measurement**

KZN234 Umtshezi - Table A10 Basic service delivery measurement										
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Below Minimum Service Level sub-total	0	-	-	-	-	-	-	-	-	-
<u>Energy:</u>										
Electricity (at least min.service level)		5,000	4,500	6,050	6,050	6,050	6,050	6,050	6,050	6,050
Electricity - prepaid (min.service level)		8,000	8,500	9,350	9,350	9,350	9,350	9,350	9,350	9,350
Other water supply (at least min.service level)		13,000	13,000	15,400	15,400	15,400	15,400	15,400	15,400	15,400
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
No water supply		-	-	-	-	-	-	-	-	-
Below Minimum Service Level sub-total	0	13,000	13,000	15,400	15,400	15,400	15,400	15,400	15,400	15,400
<u>Refuse:</u>										
Removed at least once a week		8,000	7,500	9,050	9,350	9,350	9,350	9,350	9,350	9,350
Other water supply (at least min.service level)		8,000	7,500	9,050	9,350	9,350	9,350	9,350	9,350	9,350
Removed less frequently than once a week										
Using communal refuse dump		5,000	5,500	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Using own refuse dump										
Other rubbish disposal										
No rubbish disposal										
No water supply		5,000	5,500	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Below Minimum Service Level sub-total	0	13,000	13,000	14,550	15,400	15,400	15,400	15,400	15,400	15,400
<u>Households receiving Free Basic Service</u>	7									
Water (6 kilolitres per household per month)										
Sanitation (free minimum level service)										
Electricity/other energy (50kwh per household per month)		5,000	5,500	5,500	6,050	6,050	6,050	6,050	6,050	6,050
Refuse (removed at least once a week)		5,000	5,500	5,500	6,050	6,050	6,050	6,050	6,050	6,050
<u>Cost of Free Basic Services provided (R'000)</u>	8									
Water (6 kilolitres per household per month)										
Sanitation (free sanitation service)										
Electricity/other energy (50kwh per household per month)		4,514	5,636	5,974	6,199	6,199	6,199	7,017	7,431	7,847
Refuse (removed once a week)		2,690	2,851	3,022	3,136	3,136	3,136	3,324	3,520	3,717
Total cost of FBS provided (minimum social package)		7,204	8,487	8,996	9,335	9,335	9,335	10,341	10,952	11,565
<u>Highest level of free service provided</u>										
Property rates (R value threshold)		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		250,000	275,000	275,000	302,500	302,500	302,500	302,500	302,500	302,500
<u>Revenue cost of free services provided (R'000)</u>	9									
Property rates (R15 000 threshold rebate)		13,379	14,182	15,033	15,600	15,600	15,600	16,536	17,512	18,492
Property rates (other exemptions, reductions and rebates)		27,615	29,601	31,377	31,081	31,081	31,081	32,946	34,890	36,843
Water										
Sanitation										
Electricity/other energy		4,514	5,636	6,312	6,030	6,030	6,030	6,826	7,229	7,633
Refuse		2,690	2,851	3,022	2,993	2,993	2,993	3,173	3,360	3,548
Total revenue cost of free services provided (total social package)		48,198	52,270	55,744	55,704	55,704	55,704	59,480	62,990	66,517

### **Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
  - a. Electricity services – the municipality plans on connecting more households to electricity supply.
  - b. Refuse services – the municipality do not have a backlog in this service.
3. The budget provides for 6050 households to be registered as indigent in 2015/16, and therefore entitled to receiving Free Basic Services. The number is set to increase drastically when the merger with Imbabazane Municipality takes place.
4. It is anticipated that these Free Basic Services will cost the municipality R10.3 million in 2015/16, increasing to R11.5 million in 2017/18. This is covered by the municipality's equitable share allocation from national government.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on August 2014. Key dates applicable to the process were:

- **August 2014** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2015/16 MTREF;
- **November 2014** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2015** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2015** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2015** - Council considers the 2014/15 Mid-year Review and Adjustments Budget;

- **February 2015** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2015/16 MTREF is revised accordingly;
- **25 March 2015** - Tabling in Council of the draft 2015/16 IDP and 2015/16 MTREF for public consultation;
- **April 2015** – Public consultation;
- **May 2015** - Closing date for written comments;
- **6 to 21 May 2015** – finalisation of the 2015/16 IDP and 2015/16 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **27 May 2015** - Tabling of the 2015/16 MTREF before Council for consideration and approval.

## 2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2015. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2015/16 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2015/16 MTREF:

- Town growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The draft 2015/16 MTREF as tabled before Council on 30 March 2015 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process included the launch of E-based consultation. E-mail notifications were sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Municipality's website.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees will be utilised to facilitate the community consultation process from 13 to 29 April 2015, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 was recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 22 IDP Strategic Objectives**

<b>2014/15 Financial Year</b>	<b>2015/16 MTREF</b>
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide city planning services; and
  - Maintaining the infrastructure of the City.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the City;
  - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective city cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.



This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 23 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand									
Revenue Enhancement Strategies	Collection of Property Rates	40 795	38 106	55 998	54 206	54 206	57 310	60 749	64 394
Revenue Enhancement Strategies	Billing and collection of Service charges	149 276	163 355	175 220	196 415	179 415	202 355	222 359	244 348
Financial Management	Transfer Recognised	59 310	66 893	40 546	74 393	45 331	58 252	57 959	59 386
Revenue Enhancement Strategies	Other Own Revenue	7 315	15 831	49 620	20 022	23 503	26 414	28 351	30 053
Allocations to other priorities									
Total Revenue (excluding capital transfers and contributions)		256 696	284 185	321 384	345 036	302 455	344 332	369 418	398 181

**Table 24 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

KZN234 Umtshezi - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)									
Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Human Resources Development	Employment of Staff	56,157	62,101	5,037	67,946	5,908	5,326	5,641	5,985
Community Awareness	Remunerate Council	4,691	4,601	14,452	5,908	12,908	12,908	12,908	12,908
Asset Management	Debt and asset impairment	31,686	6,460	38,664	8,533	37,030	44,436	47,058	49,693
Debt Management	Finance charges	2,050	814	132,913	1,392	140,988	158,189	167,522	176,903
Expenditure Control	Payment of bulk purchase of electricity	121,948	129,227	10,326	148,988	13,961	14,137	14,971	15,810
Expenditure Control	Payment of general expenses	48,334	81,299	91,833	93,885	105,484	114,979	121,119	127,293
Expenditure Control	Free basic service - indigent support			32,292	8,537	43,607	45,520	48,205	50,905
0		264,866	284,502	325,518	335,189	359,886	395,494	417,423	439,496

**Table 25 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

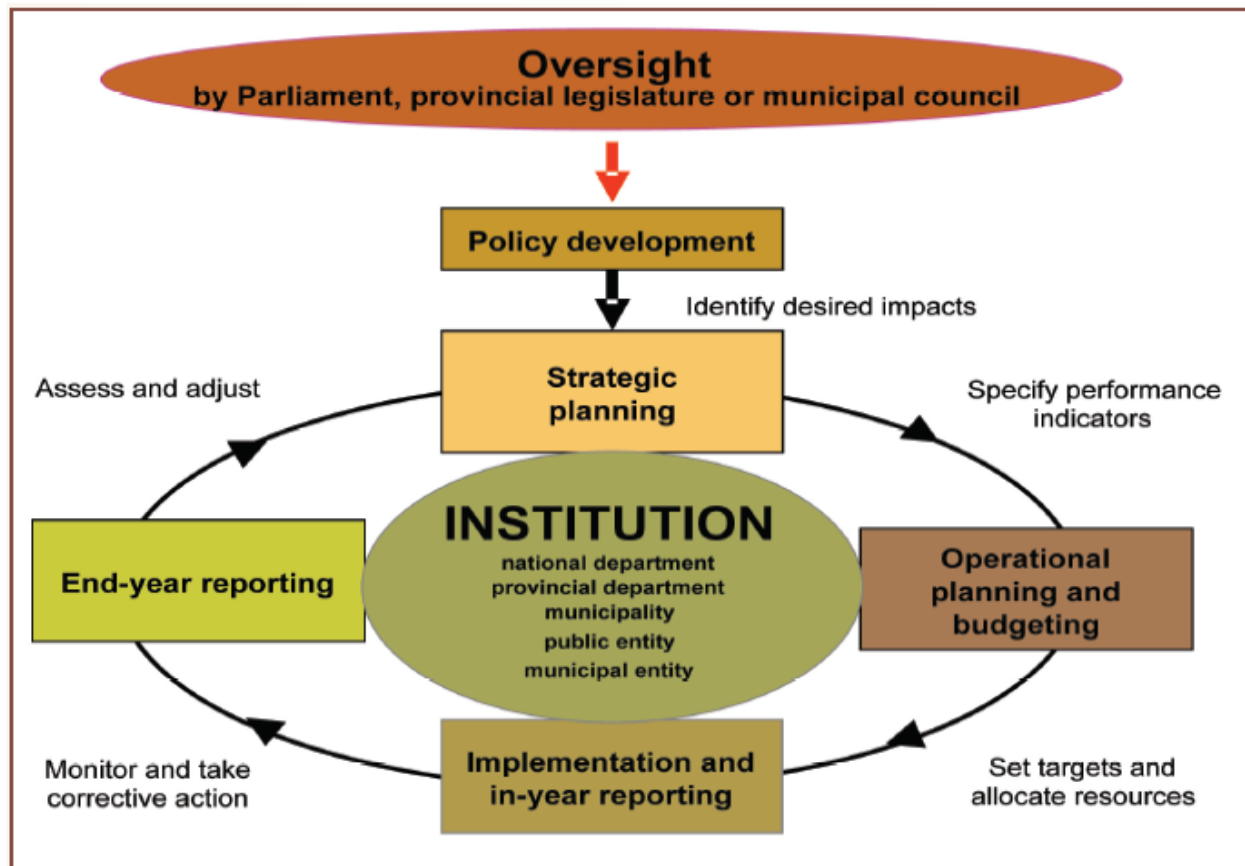
KZN234 Umtshezi - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)								
Strategic Objective	Goal	2011/12	2012/13	2013/14	Current Year 2014	2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome		Original Budget	Budget Year 2015/16	Budget Year +1 2016/17
R thousand								
Basic Service Delivery - Access to electricity	Provide access to electricity	10,456	7,791	–	12,400	15,030	15,700	15,000
Basic Service Delivery - Access to roads	Provide access to roads	8,279	13,618	–	18,062	17,985	18,514	19,352
Basic Service Delivery - Access to housing	Provide housing in the Kwezi Hostel area	(20,000)	–	–	–			
Local Economic Development	Economic growth and poverty alleviation	7,600	1,542	–	–			
Municipal Transformation and Institutional Development	Purchase of equipment	32,776	6,923	–	5,038	220		
Total Capital Expenditure		39,111	29,874	–	35,500	33,235	34,214	34,352

## 2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's

performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

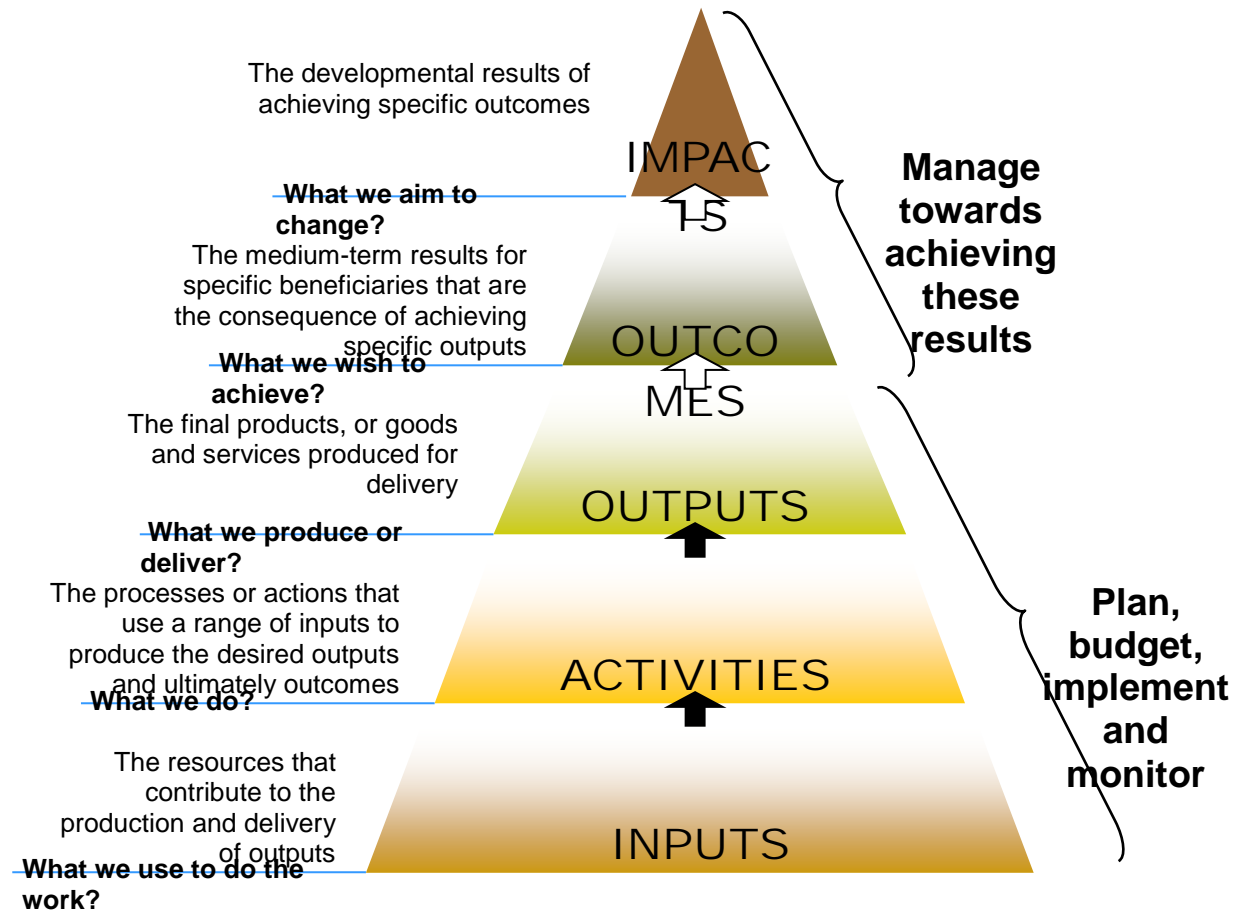


**Figure 4 Planning, budgeting and reporting cycle**

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



**Figure 5 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

### Table 26 MBRR Table SA7 - Measurable performance objectives

UMITSHI LOCAL MUNICIPALITY 2014/2015 FINANCIAL YEAR ORGANISATIONAL SCORECARD 2015/2016																
KPA REF	KPA	OBJ REF	STRATEGIC OBJECTIVE/ OUTPUT	STR REF	STRATEGIES	KPI	RESPONSIBLE OFFICIAL	2014/2015 ANNUAL TARGETS	2015/2016 FY ANNUAL TARGETS	2014/2015 DEMAND BASELINE BACKLOG			QUARTERLY TARGETS Q1 Q2 Q3 Q4			
A	Municipal Transformation and Organisational Development	A1	To improve institutional and organisational capacity	A1.1	Review and implement an effective organogram	Date of adopted reviewed organogram	Director: Corporate	30-Jun-15	30-Jun-16	30/06/2016	n/a	n/a	0	0	0	30-Jun-16
				A1.2	Review and implement workplace skills plan	No of employees appointed as per the organogram	Director: Corporate	10	10	525	384	131	2	3	2	3
						Date of Adoption	Director: Corporate	2014-07-31	2015-07-31	0	0	0	2015-07-31	0	0	0
						Number of employees trained according to the workplace skills plan	Director: Corporate	42	36	0	0	0	9	9	9	9
						Number of employees undertaking induction courses	Director: Corporate	10	10	0	0	0	3	0	0	1
		A1.3	Develop & Review HR Policies	Number of HR policies developed & reviewed	Director: Corporate	4	4	0	0	0	0	0	0	4		
		A1.4	Develop & Review IT Policies	No. of IT policies developed & reviewed	Director: Corporate	4	4	0	0	0	0	0	0	4		
		A2	To ensure functional performance management system implemented	A2.1	Review and implement Performance Management System	Date of adoption of performance Management system	Municipal Manager	30-Jun-15	30-Jun-16	30/06/2016	n/a	n/a	0	0	0	30-Jun-16
B	Basic Service Delivery and Infrastructure	B1	To advance access to Basic Services	B1.1	Facilitate provision of electricity supply to households by Eskom outside town planning schemes	Number of existing units provided with electricity in terms of new housing schemes Submit a consolidated list of households without electricity identified during izimbizo to Eskom	Director: Civil	1	1	1	0	0	1	0	0	0
						Director: Civil	1	1	1	0	0	1	0	0	0	
				B1.2	Ensure provision of electricity supply to households within the town planning schemes	Number of existing units provided with electricity Number of households receiving free electricity	Director: Civil	12151	12739	0	0	0	12739	12739	12739	12739
						Director: Civil	3362	5430	0	0	0	5430	5430	5430	5430	
				B1.3	Providing access to solid Waste Disposal Services	Number of existing units receiving solid waste disposal Number of households receiving free solid waste disposal	Director: PECS	20638	6922	0	0	0	6922	6922	6922	6922
						Director: PECS	3362	5430	0	0	0	5430	5430	5430	5430	
				B1.4	Facilitate an improved road network	Number of IGR Forum meetings attended	Director: Civil	4	4	0	0	0	1	1	1	1
				B1.5	Upgrading of existing road infrastructure	Number of kilometres of existing road upgraded	Director: Civil	5km	6km	0	0	0	1.5	1.5	1.5	1.5
				B1.6	Provision and maintenance of community and public facilities	Number of creches built	Director: Civil	1	1	0	0	0	0	0	1	0
						Director: PECS	5	13	0	0	0	13	13	13	13	
				B1.7	Develop sustainable human settlements	Number of submissions of record of decisions to department of environmental affairs Number of planning and development act applications approved	Director: PECS	6	6	0	0	0	2	1	2	1
						Director: PECS	6	6	0	0	0	2	1	2	1	
				B1.8	Low Income Houses to be built	Number of Houses built	Director: PECS	0	250	1000	200	750	0	0	125	125
				C1.2	Develop and capacitate SMMEs	Number of training conducted	Director: PECS	2	5	0	0	0	1	1	1	2
				C1.3	Create jobs through LED Initiatives	Number of jobs created through EWP Number of jobs created through CWP Number of jobs created through Capital Projects	Director: PECS	130	50	0	0	0	15	10	15	10
						Director: PECS	1000	1300	0	0	0	325	325	325	325	
						Director: PECS	32	32	0	0	0	0	32	0	0	
						Director: PECS	0	100	0	0	0	25	25	25	25	
D	Good Governance and Public Participation	D1	To advance effective Public Participation	D1.1	Develop and implement effective public participation strategy	Public participation strategy adopted by council	Director: PECS	30-Sep-14	30-Sep-15	0	0	0	30-Sep-15	n/a	n/a	n/a
				D1.2	Ensure functional ward committee structures	Number of meetings per ward	Director: Corporate	36	36	0	0	0	9	9	9	9
					Audit committee meetings held	Number of Audit Committee Meetings held	Municipal Manager	4	4	0	0	0	1	1	1	1
					Audit committee meetings held	Number of Audit Committee reports/minutes submitted to	Municipal Manager	4	4	0	0	0	1	1	1	1
		D2	Improve municipal audit opinion and accountability	D2.1	Approved and implemented audit plan	Date approved Reports issued in terms of audit plan	Municipal Manager	4	30-Sep-15	30/09/2015	0	0	30-Sep-15	n/a	n/a	n/a
						Manager	4	4	0	0	0	1	1	1	1	
				D2.2	hold Oversight meetings	Number meetings held	Manager	4	4	0	0	0	1	1	1	1
				D2.3												
E	Financial Viability and Financial Management	E1	To improve budget implementation in the municipality	E1.1	Optimize the expenditure of capital budget	Percentage Capital expenditure budget implementation (actual capital expenditure/budget capital expenditure x100)	Director: Civil	100%	100%	100%	0	0	25%	50%	75%	100%
				E1.2	Optimize the expenditure of operational budget	Percentage operational expenditure budget implementation (actual operational expenditure/budget operational expenditure x100)	CFO	100%	100%	100%	0	0	25%	50%	75%	100%
				E1.3	Optimize revenue of operational budget	Percentage operating revenue budget implementation (actual operating expenditure/budget operating revenue x100)	CFO	100%	100%	100%	0	0	25%	50%	75%	100%
				E1.4	Optimize actual service charges and property rates revenue	Percentage service charges and property rates revenue budget implementation (Actual service charges and property rates revenue/budget service charges and property rates revenue x100)	CFO	100%	100%	100%	0	0	25%	50%	75%	100%
				E1.5	Improvement of Annual Financial Statement	Improved audit opinion	CFO	Unqualified with matters of emphasis	Clean Audit	Clean Audit	Unqualified with matters of emphasis	0	Clean Audit	n/a	n/a	
				E1.6	Budget spent on Workplace Skills Plan	% of expenditure of budget allocated to Workplace Skills Plan	Director: Corporate	100%	100%	0	0	0	25%	50%	75%	100%
				E1.7	Updating of asset register	Date of adoption of the updated asset register	CFO	31-Oct-14	31-Oct-15	31/10/2015	0	0	n/a	31-Oct-15	n/a	n/a
		F2	To promote sustainable protection and development of the environment	F2.1	Review integrated environmental management plan	Date of adoption	Director: PECS	31-Oct-14	31-Oct-15	31/10/2015	0	0	n/a	31-Oct-15	n/a	n/a
				F3.1	Review Disaster management framework	Date of adoption	Director: PECS	31-Oct-14	31-Oct-15	31/10/2015	0	0	n/a	31-Oct-15	n/a	n/a
		F3	To improve response to Disasters	F3.2	Respond to disaster in terms of management framework	Number of disaster management forums meetings held	Director: PECS	4	4	0	0	0	1	1	1	1
				F3.3		Number of reports submitted in terms of disaster	Director: PECS	12	12	0	0	0	3	3	3	

The following table sets out the municipalities main performance objectives and benchmarks for the 2015/16 MTREF.

**Table 27 MBRR Table SA8 - Performance indicators and benchmarks**

KZN234 Umtshezi - Supporting Table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	-3054.3%	-4658.7%	-4154.6%	-4119.7%	-3894.2%	0.0%	0.0%	-4240.2%	-4079.6%	-4064.2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure ex cl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		-9.9%	-3.2%	-9.2%	0.0%	-0.1%	0.0%	0.0%	93.7%	90.5%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	93.4%	90.3%	87.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	(1.3)	(2.4)	(2.4)	(2.7)	(2.7)	(2.7)	-	775.7	775.7	822.3
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	8.9%	9.2%	25.7%	9.2%	9.8%	0.0%	0.0%	1.0%	0.0%	0.0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	-	-	-	-	-	-	-	-

## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely

dependent on its creditworthiness and financial position. As with all other municipalities, uMtshezi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 18 per cent to 14.7 per cent in 2015/16, it needs to be noted that the increased capital grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily increased from 0.37 per cent in 2011/12 to 1.56 per cent in 2015/16. This increase can be attributed to the raising of loans to fund portions of the capital programme. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 9.7 per cent in 2017/18 and will then decrease to 8.8 per cent at the end of the MTREF. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2015/16 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

#### *2.3.1.2 Revenue Management*

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### *2.3.1.3 Creditors Management*

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 95 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of

risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

For the 2014/15 financial year 5000 registered indigents have been provided for in the budget with this figured increasing to 7000 by 2015/16. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

## **2.4 Overview of budget related-policies**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in 2014/15 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90



days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

#### **2.4.2 Asset Management Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 2014/15. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **2.4.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2014/15.

#### **2.4.5 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in January 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

## **2.4.6 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

## **2.4.7 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2015/16 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2014/15 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the uMtshezi municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

## **2.5 Overview of budget assumptions**

### **2.5.1 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs has been increased by 4.4% as per Circular 75, however, we have seen that in the previous financial and current financial year actual employee related costs exceeds the budgeted amount. We therefore, decided to forecast on actual expenditure trend of this line item. The 4.4% increase is based on the forecasted figures and not on the adjustments budget figure.

## **2.5.2 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. Amortisation schedule were obtained from the financial institutions and used to calculate the finance charges the municipality will incur in the 2015/16.

## **2.5.3 Collection rate for revenue services**

With the help from Ernst & Young, we have calculated the municipality's collection rate on Rates, Electricity and Refuse. Both the Debtors and Revenue collection rate were calculated. For cash flow purposes, the Revenue collection rate was used because we felt its more accurate reflection of the income that is collected. The Revenue collection rates were as follows:

- Electricity: 97%
- Refuse: 103% (but Provincial Treasury has advised us to reduce this rate to at least 95% in the final budget).
- Property Rates: 82%

## **2.5.4 Salary increases**

- The increase in the cost of remuneration. Employee related costs has been increased by 4.4% as per Circular 75, however, we have seen that in the previous financial and current financial year actual employee related costs exceeds the budgeted amount. We therefore, decided to forecast on actual expenditure trend of this line item. The 4.4% increase is based on the forecasted figures and not on the adjustments budget figure.

## **2.5.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## 2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2015/16 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

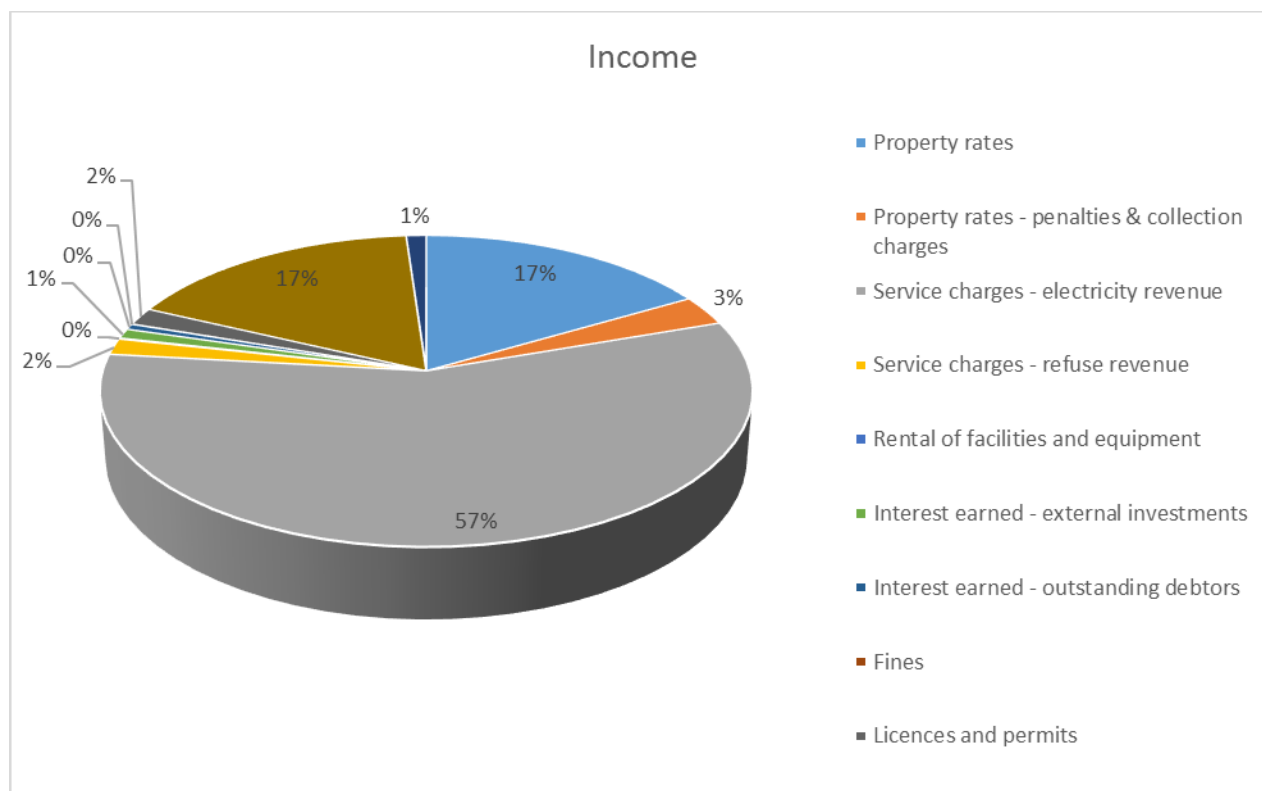
### 2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

**Table 28 Breakdown of the operating revenue over the medium-term**

The following graph is a breakdown of the operational revenue per main category for the 2015/16 financial year.

Description	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget		Budget Year 2015/16		Budget Year +1 2016/17		Budget Year +2 2017/18
<b>Revenue By Source</b>							
Property rates	54 206	6%	57 310	6%	60 749	6%	64 394
Property rates - penalties & collection charges	10 054	6%	10 657	6%	11 296	6%	11 974
Service charges - electricity revenue	173 937	13%	196 549	10%	216 204	10%	237 824
Service charges - refuse revenue	5 478	6%	5 806	6%	6 155	6%	6 524
Rental of facilities and equipment	130	170%	351	6%	372	6%	395
Interest earned - external investments	2 250	41%	3 162	6%	3 352	6%	3 553
Interest earned - outstanding debtors	1 912	6%	2 027	6%	2 148	6%	2 277
Fines	62	40%	87	6%	92	6%	98
Licences and permits	5 440	15%	6 257	6%	6 632	6%	7 030
Transfers recognised - operational	45 331	29%	58 252	-1%	57 959	2%	59 386
Other revenue	3 655	6%	3 874	6%	4 106	6%	4 353
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>302 455</b>		<b>344 332</b>		<b>369 066</b>		<b>397 808</b>



**Figure 6 Breakdown of operating revenue over the 2015/16 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of average 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

**Table 29 MBRR SA15 – Detail Investment Information**

KZN234 Umtshezi - Supporting Table SA15 Investment particulars by type										
Investment type	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<b>Parent municipality</b>										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		17,975	27,606	31,648	29,205	29,205	29,205	4,073	4,317	4,576
Deposits - Public Investment Commissioners										
<b>Municipality sub-total</b>	<b>1</b>	<b>17,975</b>	<b>27,606</b>	<b>31,648</b>	<b>29,205</b>	<b>29,205</b>	<b>29,205</b>	<b>4,073</b>	<b>4,317</b>	<b>4,576</b>

**Table 30 MBRR SA16 – Investment particulars by maturity**

KZN234 Umtshezi - Supporting Table SA16 Investment particulars by maturity										
Investments by Maturity	Period of Investment	Type of Investment	Interest Rate 3.	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance	
Name of institution & investment ID	Yrs/Months									
<b>Parent municipality</b>										
ABSA BANK	MONTH TO MONTH	CALL ACCOUNT	9%	30 June 2016	1	0			1	
FNB	MONTH TO MONTH	CALL ACCOUNT	6.35%	30 June 2016	58	4			62	
FNB AND STANDARD BANK	3 YRS	FIXED DEPOSIT	7.19%	30 June 2016	74	5	(7)		72	
FNB (MSIG, MIG, FMG AND INEP)	MONTH TO MONTH	CALL ACCOUNT	9%	30 June 2016		3,151	(34,722)	35,485	3,915	
FNB LAND SALE	MONTH TO MONTH	CALL ACCOUNT	9%			-			-	
NEDBANK					22	2	(2)		22	
						-			-	
<b>TOTAL INVESTMENTS AND INTEREST</b>					<b>155</b>		<b>(34,730)</b>	<b>35,485</b>	<b>4,072</b>	

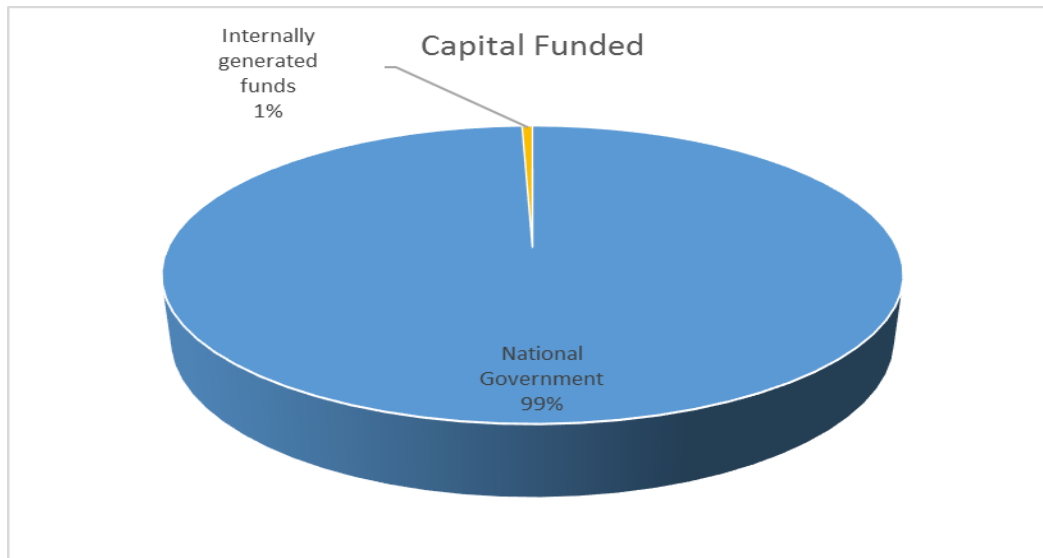
## 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2015/16 medium-term capital programme:

**Table 31 Sources of capital revenue over the MTREF**

Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Funded by:</b>								
National Government		10,209	10,390	28,715	41,889	33,055	34,214	34,352
Provincial Government	15,811	9,875	-	550	3,550			
Transfers recognised - capital	15,811	20,084	10,390	29,265	45,439	33,055	34,214	34,352
Public contributions & donations								
Borrowing	4,928	7,200	11,539		2,500			
Internally generated funds	3,720	2,591	4,050	6,234	12,050	180		
<b>Total Capital Funding</b>	<b>24,459</b>	<b>29,875</b>	<b>25,979</b>	<b>35,499</b>	<b>59,989</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>

The above table is graphically represented as follows for the 2015/16 financial year.



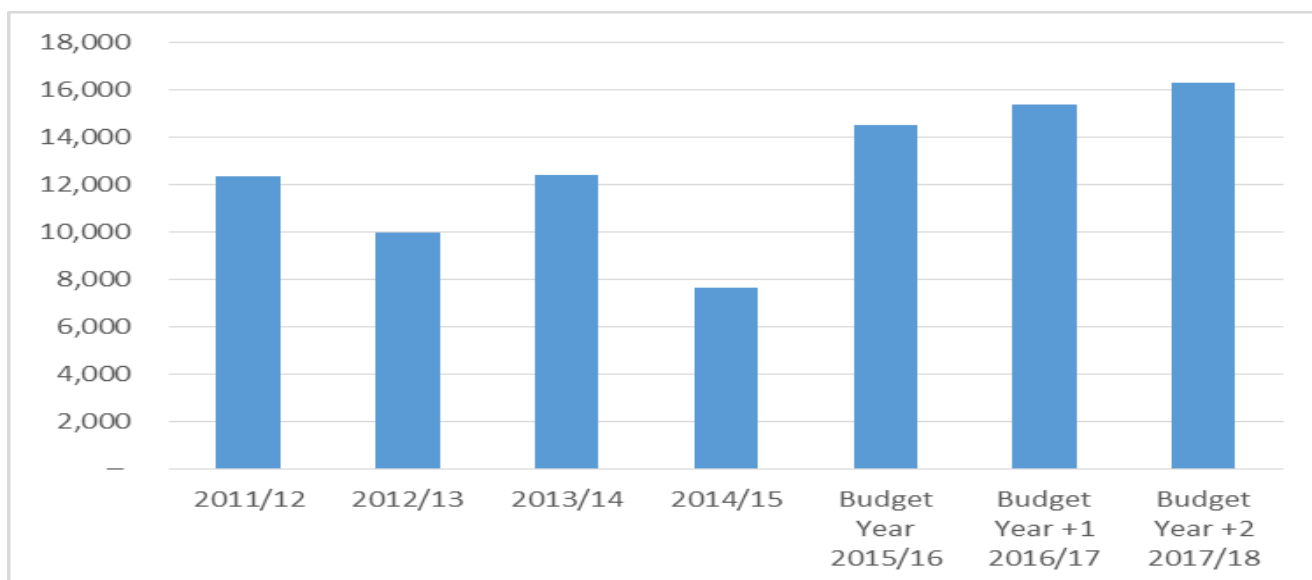
**Figure 7 Sources of capital revenue for the 2015/16 financial year**

Capital grants and receipts equates to 99 per cent of the total funding source which represents R32.9 million for the 2015/16 financial year.

**Table 32 MBRR Table SA 17 - Detail of borrowings**

KZN234 Umtshezi - Supporting Table SA17 Borrowing									
Borrowing - Categorised by type	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<u>Parent municipality</u>									
Long-Term Loans (annuity/reducing balance)									
Long-Term Loans (non-annuity)	12,350	9,974	12,400	7,643	7,643	7,643	14,491	15,360	16,282
<b>Total Borrowing</b>	<b>12,350</b>	<b>9,974</b>	<b>12,400</b>	<b>7,643</b>	<b>7,643</b>	<b>7,643</b>	<b>14,491</b>	<b>15,360</b>	<b>16,282</b>

The following graph illustrates the growth in outstanding borrowing for the 2011/12 to 2017/18 period.



**Figure 8 Growth in outstanding borrowing (long-term liabilities)**

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R180 000 in 2015/16, R0 in 2016/17 and R0 in 2017/18. The main reason for no contribution in the two outer years is due to the merger the municipality will experience in 2016/17.

**Table 33 MBRR Table SA 18 - Capital transfers and grant receipts**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Capital Transfers and Grants</b>										
National Government:		22,610	23,862	27,361	28,615	28,615	–	32,955	34,214	34,352
Municipal Infrastructure Grant (MIG)		10,510	12,749	15,161	17,289	17,289		17,955	18,514	19,352
Neighbourhood Development Partnership		7,600	11,113	–	1,326	1,326		–	–	–
INEP		4,500	–	12,200	10,000	10,000		15,000	15,700	15,000
<b>Total Capital Transfers and Grants</b>	5	22,610	23,862	27,361	28,615	28,615	–	32,955	34,214	34,352

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;



- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 34 MBRR Table A7 - Budget cash flow statement**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges	203 053	212 917	248 981	240 837	216 657	230 055	230 055	46 995	49 814	52 803
Service charges	-	-	-	-	-	-	-	197 510	209 360	221 922
Other revenue	-	-	-	-	-	-	-	64 596	64 684	66 514
Government - operating	30 327	34 159	40 546	45 778	45 778	45 778	45 778	-	-	-
Government - capital	29 830	35 030	31 406	28 615	28 615	29 739	29 739	-	-	-
Interest	1 729	2 261	2 443	2 211	2 250	417	417	3 513	3 724	3 947
Dividends	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Suppliers and employees	(225 358)	(246 735)	(266 283)	(279 696)	(283 295)	(175 760)	(175 760)	(256 517)	(265 267)	(280 543)
Finance charges	(953)	(814)	(35)	(1 392)	(1 392)	(3 330)	(3 330)	(5 326)	(5 641)	(5 985)
Transfers and Grants	-	-	-	-	-	-	-	(10 886)	(10 885)	(10 885)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>38 627</b>	<b>36 818</b>	<b>57 058</b>	<b>36 353</b>	<b>8 613</b>	<b>126 900</b>	<b>126 900</b>	<b>39 884</b>	<b>45 790</b>	<b>47 774</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	252	1 072	407	-	-	-	-	32 955	34 214	34 352
Decrease (Increase) in non-current debtors	-	352	47	134	134	134	134	5	5	5
Decrease (Increase) other non-current receivables	1 552	(310)	(12 743)	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments	(16 746)	(5 162)	(4 042)	(96)	(96)	(96)	(96)	584	619	657
<b>Payments</b>										
Capital assets	(24 537)	(29 875)	(45 713)	(35 499)	(28 615)	(27 051)	(27 051)	-	-	-
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(39 479)</b>	<b>(33 924)</b>	<b>(62 044)</b>	<b>(35 461)</b>	<b>(28 577)</b>	<b>(27 013)</b>	<b>(27 013)</b>	<b>33 544</b>	<b>34 838</b>	<b>35 014</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans	-	(864)	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	5 040	(1 873)	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Repayment of borrowing	(764)	-	(1 188)	(1 329)	(1 329)	(1 329)	(1 329)	(29 644)	(34 214)	(34 352)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>4 276</b>	<b>(2 737)</b>	<b>(1 188)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(1 329)</b>	<b>(29 644)</b>	<b>(34 214)</b>	<b>(34 352)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3 424</b>	<b>157</b>	<b>(6 175)</b>	<b>(437)</b>	<b>(21 293)</b>	<b>98 557</b>	<b>98 557</b>	<b>43 784</b>	<b>46 414</b>	<b>48 435</b>
Cash/cash equivalents at the year begin:	9 942	13 366	13 523	29 604	29 604	7 349	7 349	2 138	45 922	92 336
Cash/cash equivalents at the year end:	13 366	13 523	7 349	29 167	8 311	105 906	105 906	45 922	92 336	140 772

The above table shows that cash and cash equivalents of the municipality have steadily decreased overtime.

## Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 35 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

KZN234 Umtshezi - Table A8 Cash backed reserves/accumulated surplus reconciliation

KZN23/24 Omishez - Table A6 Cash backed reserves/accumulated surplus reconciliation											
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	13 366	13 523	7 349	29 167	8 311	105 906	105 906	9 487	11 802	13 685
Other current investments > 90 days		22 347	27 503	31 576	1 447	22 303	(75 292)	(75 292)	(0)	(2 907)	(2 533)
Non current assets - Investments	1	98	103	72	-	-	-	-	-	-	-
Cash and investments available:		35 811	41 130	38 997	30 614	30 614	30 614	30 614	9 487	8 895	11 152
<b>Application of cash and investments</b>											
Unspent conditional transfers		16 045	16 841	18 922	26 449	26 449	26 449	26 449	3 591	3 806	4 035
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(30 530)	(24 966)	(61 609)	(45 937)	(47 244)	(50 583)	(50 583)	(28 779)	(29 129)	(29 440)
Other provisions		-	-	-	14 140	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	1 095	1 095	1 095	1 095	1 095	1 095	1 095
Total Application of cash and investments:		(14 486)	(8 125)	(42 687)	(4 253)	(19 700)	(23 039)	(23 039)	(24 093)	(24 228)	(24 310)
Surplus(shortfall)		50 297	49 255	81 684	34 867	50 314	53 653	53 653	33 580	33 123	35 462

From the above table it can be seen that the cash and investments available total R6.2 million in the 2015/16 financial year and progressively increase to R11.1 by 2017/18, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2014/15 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once

the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.

- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations. The liability in this regard totaled R0 million for the 2015/16 financial year.

## 2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 36 MBRR SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Funding measures</b>												
Cash/cash equivalents at the year end - R'000	18(1)b	1	13 366	13 523	7 349	29 167	8 311	105 906	105 906	9 487	11 802	13 685
Cash + investments at the yr end less applications - R'000	18(1)b	2	50 297	49 255	81 684	34 867	50 314	53 653	53 653	33 580	33 123	35 462
Cash year end/monthly employee/supplier payments	18(1)b	3	0,8	0,7	0,4	1,3	0,4	5,1	5,1	0,4	0,5	0,5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(10 521)	(317)	8 548	9 847	(268)	(1 335)	(1 335)	(8 680)	(4 100)	2 849
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	4,2%	9,1%	1,7%	(11,1%)	(5,3%)	(6,0%)	4,9%	2,9%	2,9%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	102,3%	98,0%	100,5%	89,7%	85,0%	89,9%	89,9%	90,2%	87,9%	85,6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	6,9%	3,1%	6,1%	3,3%	5,3%	3,5%	3,5%	4,8%	4,4%	4,0%
Capital payments % of capital expenditure	18(1)c,19	8	100,3%	100,0%	176,0%	100,0%	47,7%	45,1%	45,1%	89,2%	100,0%	100,0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	58,3%	(19,1%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0,0%	0,0%	0,0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	16,2%	77,6%	(34,0%)	0,0%	0,0%	0,0%	(16,2%)	5,9%	5,9%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(23,2%)	(100,0%)	0,0%	0,0%	0,0%	0,0%	(100,0%)	0,0%	0,0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	8,4%	9,0%	0,0%	11,0%	11,0%	0,0%	2,3%	2,2%	2,2%	2,1%
Asset renewal % of capital budget	20(1)(vi)	14	0,0%	0,0%	0,0%	28,2%	16,7%	16,7%	0,0%	45,1%	45,9%	43,7%

### 2.6.4.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2015/16 MTREF shows R6.2 million, R8.8 million and R11.1 million for each respective financial year.

### 2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail

reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.4.3 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 95.2, 95.3 and 95.6 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.4 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.1, 4.0 and 4.0 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

#### *2.6.4.5 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.4.6 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The municipality is not planning to obtain any borrowing to finance capital in 2015/16.

#### *2.6.4.7 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

#### *2.6.4.8 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

#### *2.6.4.9 Repairs and maintenance expenditure level*

In terms of National Treasury's requirements, the renewal expenditure must be 40% and repairs and maintenance expenditure must be at least 8%. Due to cash flow problems, the municipality cannot afford to meet the standard required by National Treasury at the moment.

#### *2.6.4.10 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 37 MBRR SA19 - Expenditure on transfers and grant programmes**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014	2015/16 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>EXPENDITURE:</b>	1							
<u>Operating expenditure of Transfers and Grants</u>								
National Government:		28,083	31,944	36,634	42,828	55,575	55,139	56,423
Local Government Equitable Share		25,843	29,644	33,196	39,294	50,138	52,557	53,690
Municipal Systems Improvement		790	800	888	934	930	957	1,033
Finance Management		1,450	1,500	1,550	1,600	1,600	1,625	1,700
EPWP Incentive		-	-	1,000	1,000	1,050	-	-
Municipal Demarcation Transition Grant						1,857	-	-
Provincial Government:		460	1,681	1,466	748	2,677	2,820	2,963
Health subsidy		-	1,413		-			
Sport and Recreation		210	-	1,466	150			
Museum Grant, Library Service, Provincialisation Grant		250	268		598	2,677	2,820	2,963
District Municipality:		-	-	-	-	-	-	-
[insert description]								
Other grant providers:		-	-	-	-	-	-	-
[insert description]								
<b>Total operating expenditure of Transfers and Grants:</b>		<b>28,543</b>	<b>33,625</b>	<b>38,100</b>	<b>43,576</b>	<b>58,252</b>	<b>57,959</b>	<b>59,386</b>
<u>Capital expenditure of Transfers and Grants</u>								
National Government:		22,610	23,862	28,937	28,615	32,955	34,214	34,352
Municipal Infrastructure Grant (MIG)		10,510	12,749	10,942	17,289	17,955	18,514	19,352
Neighbourhood Development Partnership		7,600	11,113	7,440	1,326	-	-	-
INEP		4,500	-	10,556	10,000	15,000	15,700	15,000
<b>Total capital expenditure of Transfers and Grants</b>		<b>22,610</b>	<b>23,862</b>	<b>28,937</b>	<b>28,615</b>	<b>32,955</b>	<b>34,214</b>	<b>34,352</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		<b>51,153</b>	<b>57,487</b>	<b>67,037</b>	<b>72,191</b>	<b>91,207</b>	<b>92,173</b>	<b>93,738</b>

**Table 38 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Operating transfers and grants:</b>									
National Government:									
Balance unspent at beginning of the year	-	-							
Current year receipts	28,083	33,627		42,828			55,575	55,139	56,423
Conditions met - transferred to revenue	28,083	33,627	-	42,828	-	-	55,575	55,139	56,423
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts	1,397	2,575		2,950			2,677	2,820	2,963
Conditions met - transferred to revenue	1,397	2,575	-	2,950	-	-	2,677	2,820	2,963
Conditions still to be met - transferred to liabilities									
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	29,480	36,202	-	45,778	-	-	58,252	57,959	59,386
Total operating transfers and grants - CTBM	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	29,830	23,862		28,715			33,055	34,214	34,352
Conditions met - transferred to revenue	29,830	13,862	-	28,715	-	-	33,055	34,214	34,352
Conditions still to be met - transferred to liabilities		10,000							
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts		9,875		550					
Conditions met - transferred to revenue	-	6,222	-	550	-	-	-	-	-
Conditions still to be met - transferred to liabilities		3,653							
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities									
Total capital transfers and grants revenue	29,830	20,084	-	29,265	-	-	33,055	34,214	34,352
Total capital transfers and grants - CTBM	-	13,653	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE	59,310	56,286	-	75,043	-	-	91,307	92,173	93,738
TOTAL TRANSFERS AND GRANTS - CTBM	-	13,653	-	-	-	-	-	-	

## 2.8 Councillor and employee benefit

**Table 39 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>									
Basic Salaries and Wages	2,920	2,853	3,014	3,782	3,782		3,195	3,384	3,573
Pension and UIF Contributions	422	414	429	506	506		455	482	509
Medical Aid Contributions	-	-		-			18	19	20
Motor Vehicle Allowance	1,129	1,104	1,592	1,354	1,354		1,223	1,295	1,368
Cellphone Allowance	220	230		265	265		370	392	414
Housing Allowances								-	-
Other benefits and allowances							64	68	71
<b>Sub Total - Councillors</b>	<b>4,691</b>	<b>4,601</b>	<b>5,036</b>	<b>5,908</b>	<b>5,908</b>	<b>-</b>	<b>5,326</b>	<b>5,640</b>	<b>5,956</b>
<b>% increase</b>		<b>(1.9%)</b>	<b>9.5%</b>	<b>17.3%</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>5.9%</b>	<b>5.6%</b>
<b>Senior Managers of the Municipality</b>									
Basic Salaries and Wages	2,436	3,301		3,479	3,479		2,793	2,958	3,124
Pension and UIF Contributions				10	10		48	51	54
Medical Aid Contributions							-	-	-
Overtime							-	-	-
Performance Bonus	274	388					338	358	378
Motor Vehicle Allowance	160	194		805	805		576	610	644
Cellphone Allowance									
Housing Allowances									
Other benefits and allowances									
Payments in lieu of leave									
Long service awards									
Post-retirement benefit obligations									
<b>Sub Total - Senior Managers of Municipality</b>	<b>2,870</b>	<b>3,884</b>	<b>-</b>	<b>4,294</b>	<b>4,294</b>	<b>-</b>	<b>3,755</b>	<b>3,977</b>	<b>4,199</b>
<b>% increase</b>		<b>35.3%</b>	<b>(100.0%)</b>	<b>-</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>5.9%</b>	<b>5.6%</b>
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	35,103	38,424		40,227	40,227		50,185	53,146	56,122
Pension and UIF Contributions	5,328	5,822		7,183	7,183		8,121	8,600	9,082
Medical Aid Contributions	2,135	2,329		2,691	2,691		3,960	4,193	4,428
Overtime	1,837	1,747		2,185	2,185		3,262	3,455	3,648
Performance Bonus	2,947	3,493		332	332		3,944	4,176	4,410
Motor Vehicle Allowance	1,122	1,164		1,621	1,621		1,193	1,264	1,334
Cellphone Allowance		-		320	320		-	-	-
Housing Allowances	304	582		260	260		318	337	356
Other benefits and allowances	4,510	4,657		5,586	5,586		5,415	5,734	6,056
Payments in lieu of leave				3,239	3,239		3,239	3,475	4,090
Long service awards				8	8		-	-	-
Post-retirement benefit obligations									
<b>Sub Total - Other Municipal Staff</b>	<b>53,286</b>	<b>58,218</b>	<b>-</b>	<b>63,652</b>	<b>63,652</b>	<b>-</b>	<b>79,637</b>	<b>84,380</b>	<b>89,527</b>
<b>% increase</b>		<b>9.3%</b>	<b>(100.0%)</b>	<b>-</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>6.0%</b>	<b>6.1%</b>
<b>Total Parent Municipality</b>	<b>60,847</b>	<b>66,703</b>	<b>5,036</b>	<b>73,854</b>	<b>73,854</b>	<b>-</b>	<b>88,718</b>	<b>93,997</b>	<b>99,682</b>
		<b>9.6%</b>	<b>(92.4%)</b>	<b>1,366.5%</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>6.0%</b>	<b>6.0%</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>60,847</b>	<b>66,703</b>	<b>5,036</b>	<b>73,854</b>	<b>73,854</b>	<b>-</b>	<b>88,718</b>	<b>93,997</b>	<b>99,682</b>
<b>% increase</b>		<b>9.6%</b>	<b>(92.4%)</b>	<b>1,366.5%</b>	<b>-</b>	<b>(100.0%)</b>	<b>-</b>	<b>6.0%</b>	<b>6.0%</b>
<b>TOTAL MANAGERS AND STAFF</b>	<b>56,156</b>	<b>62,101</b>	<b>-</b>	<b>67,946</b>	<b>67,946</b>	<b>-</b>	<b>83,392</b>	<b>88,357</b>	<b>93,726</b>



**Table 40 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	369,209	60,057	167,075			596,341
Chief Whip			–	–	–			–
Executive Mayor		1	461,511	76,381	202,457			740,349
Deputy Executive Mayor		1	353,522	75,779	167,075			596,376
Executive Committee		1	190,373	31,028	98,521			319,922
Total for all other councillors		14	1,820,663	273,357	1,022,040			3,116,060
<b>Total Councillors</b>	8	18	3,195,278	516,602	1,657,168			5,369,048
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)		1	958,364	12,407	–	96,010		1,066,781
Chief Finance Officer		1	577,093	10,318	227,817	80,627		895,855
Director: Corporate Services		1	804,874	10,719	–	80,663		896,256
Director: PECS		1	453,099	14,810	347,726	80,667		896,302
Director: Civil Services		–	–	–	–	–		–
								–
<b>Total Senior Managers of the Municipality</b>	8, 10	4	2,793,430	48,254	575,543	337,967		3,755,194
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	22	5,988,708	564,856	2,232,711	337,967		9,124,242

**Table 41 MBRR SA24 – Summary of personnel numbers**

KZN234 Umtshezi - Supporting Table SA24 Summary of personnel numbers										
Summary of Personnel Numbers	Ref	2013/14			Current Year 2014/15			Budget Year 2015/16		
Number	1,2	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)		17	3	14	17	3	14	17	3	14
Board Members of municipal entities	4									
<b>Municipal employees</b>	5									
Municipal Manager and Senior Managers	3	5	5	–	5	–	4	5	–	4
Other Managers	7	15	15	–	15	15	–	15	15	–
Professionals		91	91	10	92	92	10	92	92	10
Finance		30	30	–	31	31	–	31	31	–
Spatial/town planning										
Information Technology		2	2	–	2	2	–	2	2	–
Roads		12	12	–	12	12	–	12	12	–
Electricity		12	12	–	12	12	–	12	12	–
Water										
Sanitation										
Refuse		5	5	–	5	5	–	5	5	–
Other		30	30	10	30	30	10	30	30	10
Technicians		29	29	–	29	29	–	29	29	–
Finance										
Spatial/town planning		2	2	–	2	2	–	2	2	–
Information Technology		2	2	–	2	2	–	2	2	–
Roads		10	10	–	10	10	–	10	10	–
Electricity		15	15	–	15	15	–	15	15	–
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)		40	40	–	40	40	–	40	40	–
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		33	33	–	33	33	–	33	33	–
Elementary Occupations		223	178	45	223	178	45	223	178	45
<b>TOTAL PERSONNEL NUMBERS</b>	9	453	394	69	454	390	73	454	390	73
% increase					0.2%	(1.0%)	5.8%	–	–	–

## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 42 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description R thousand	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>															
Property rates	4 776	4 776	4 776	4 776	4 776	4 776	4 776	4 776	4 776	4 776	4 776	4 776	57 310	60 749	64 394
Property rates - penalties & collection charges	888	888	888	888	888	888	888	888	888	888	888	888	10 657	11 296	11 974
Service charges - electricity revenue	23 870	19 550	15 200	15 200	15 670	15 400	12 300	10 600	11 490	15 360	18 900	23 009	196 549	216 204	237 824
Service charges - water revenue													-	-	-
Service charges - sanitation revenue													-	-	-
Service charges - refuse revenue	484	484	484	484	484	484	484	484	484	484	484	484	5 806	6 155	6 524
Service charges - other													-	-	-
Rental of facilities and equipment	29	29	29	29	29	29	29	29	29	29	29	29	351	372	395
Interest earned - external investments	219	219	219	219	219	219	219	219	219	219	219	751	3 162	3 352	3 553
Interest earned - outstanding debtors	169	169	169	169	169	169	169	169	169	169	169	169	2 027	2 148	2 277
Dividends received													-	-	-
Fines	7	7	7	7	7	7	7	7	7	7	7	7	87	92	98
Licences and permits	521	521	521	521	521	521	521	521	521	521	521	521	6 257	6 632	7 030
Agency services													-	-	-
Transfers recognised - operational	24 827				16 713				16 713				(0)	58 252	57 959
Other revenue	323	323	323	323	323	323	323	323	323	323	323	323	3 874	4 106	4 353
Gains on disposal of PPE													-	-	-
<b>Total Revenue (excluding capital transfers and</b>	<b>56 113</b>	<b>26 967</b>	<b>22 617</b>	<b>22 617</b>	<b>39 799</b>	<b>22 817</b>	<b>19 717</b>	<b>18 017</b>	<b>35 619</b>	<b>22 777</b>	<b>26 317</b>	<b>30 958</b>	<b>344 332</b>	<b>369 066</b>	<b>397 808</b>
<b>Expenditure By Type</b>															
Employee related costs	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	79 637	84 380	89 527
Remuneration of councillors	444	444	444	444	444	444	444	444	444	444	444	444	5 326	5 641	5 985
Debt impairment													12 908	12 908	12 908
Depreciation & asset impairment													44 436	44 436	49 693
Finance charges	533	533	533	533	533	533	533	533	533	533	533	533	533	6 392	7 149
Bulk purchases	18 650	17 320	11 457	11 540	10 480	12 268	10 765	10 980	9 368	12 745	14 230	18 386	158 189	167 522	176 903
Other materials	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	14 137	14 971	15 810
Contracted services	907	907	907	907	907	907	907	907	907	907	907	907	10 886	10 885	10 885
Transfers and grants	711	711	711	711	711	711	711	711	711	711	711	712	8 537	9 041	9 547
Other expenditure	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	45 520	48 205	50 905
Loss on disposal of PPE													-	-	-
<b>Total Expenditure</b>	<b>32 853</b>	<b>31 523</b>	<b>25 660</b>	<b>25 743</b>	<b>24 683</b>	<b>26 471</b>	<b>24 968</b>	<b>25 183</b>	<b>23 571</b>	<b>26 948</b>	<b>28 433</b>	<b>89 933</b>	<b>385 968</b>	<b>407 380</b>	<b>429 311</b>
<b>Surplus/(Deficit)</b>	<b>23 260</b>	<b>(4 556)</b>	<b>(3 043)</b>	<b>(3 126)</b>	<b>15 116</b>	<b>(3 654)</b>	<b>(5 251)</b>	<b>(7 166)</b>	<b>12 048</b>	<b>(4 171)</b>	<b>(2 116)</b>	<b>(58 975)</b>	<b>(41 635)</b>	<b>(38 314)</b>	<b>(31 503)</b>
Transfers recognised - capital	5 985	-	-	15 000	5 985	-	-	-	5 985	-	-	-	32 955	34 214	34 352
Contributions recognised - capital													-	-	-
Contributed assets													-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>29 245</b>	<b>(4 556)</b>	<b>(3 043)</b>	<b>11 874</b>	<b>21 101</b>	<b>(3 654)</b>	<b>(5 251)</b>	<b>(7 166)</b>	<b>18 033</b>	<b>(4 171)</b>	<b>(2 116)</b>	<b>(58 975)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>
Taxation													-	-	-
Attributable to minorities													-	-	-
Share of surplus/ (deficit) of associate													-	-	-
<b>Surplus/(Deficit)</b>	<b>29 245</b>	<b>(4 556)</b>	<b>(3 043)</b>	<b>11 874</b>	<b>21 101</b>	<b>(3 654)</b>	<b>(5 251)</b>	<b>(7 166)</b>	<b>18 033</b>	<b>(4 171)</b>	<b>(2 116)</b>	<b>(58 975)</b>	<b>(8 680)</b>	<b>(4 100)</b>	<b>2 849</b>

**Table 43 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand																
<b>Revenue by Vote</b>																
Vote 1 - CORPORATE SERVICES		1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	13,161	14,068	15,075
Vote 2 - MUNICIPAL MANAGER													-	-	-	-
Vote 3 - FINANCE DEPARTMENT		10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	126,900	135,642	145,354
Vote 4 - CIVIL SERVICES		1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	18,687	19,974	21,404
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICE		508	508	508	508	508	508	508	508	508	508	508	508	6,101	6,521	6,988
Vote 6 - ELECTRICAL SERVICES		17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	212,770	227,427	243,711
<b>Total Revenue by Vote</b>		<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,468</b>	<b>31,469</b>	<b>377,620</b>	<b>403,632</b>	<b>432,533</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - CORPORATE SERVICES		3,851	3,851	3,851	3,851	3,851	3,851	3,851	3,851	3,851	3,851	3,851	3,850	46,206	48,769	51,394
Vote 2 - MUNICIPAL MANAGER		104	104	104	104	104	104	104	104	104	104	104	104	1,251	1,320	1,391
Vote 3 - FINANCE DEPARTMENT		5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,173	62,069	65,513	69,039
Vote 4 - CIVIL SERVICES		2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,579	30,956	32,673	34,432
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICE		4,466	4,466	4,466	4,466	4,466	4,466	4,466	4,466	4,466	4,466	4,466	4,465	53,590	56,563	59,607
Vote 6 - ELECTRICAL SERVICES		15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,992	191,897	202,543	213,447
<b>Total Expenditure by Vote</b>		<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,164</b>	<b>32,163</b>	<b>385,968</b>	<b>407,380</b>	<b>429,311</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(694)</b>	<b>(8,348)</b>	<b>(3,748)</b>	<b>3,222</b>
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(696)</b>	<b>(694)</b>	<b>(8,348)</b>	<b>(3,748)</b>	<b>3,222</b>

**Table 44 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

KZN234 Umtshezi - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)													Medium term Revenue and Expenditure	Revenue	Expenditure
Description	Budget Year 2015/16												Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
	July	August	Sept.	October	November	December	January	February	March	April	May	June			
<b>Governance and administration</b>															
<i>Executive and council</i>	10,857	10,857	10,857	10,857	10,857	10,857	10,857	10,857	10,857	10,857	10,857	(116,161)	3,261	3,485	3,735
Budget and treasury office	272	272	272	272	272	272	272	272	272	272	272	123,911	126,900	135,642	145,354
Corporate services	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	10,575	(116,148)	177	189	203
Community and public safety	10	10	10	10	10	10	10	10	10	10	10	3,427	3,534	3,778	4,048
<i>Community and social services</i>	294	294	294	294	294	294	294	294	294	294	294	(322)	2,917	3,118	3,341
Sport and recreation	243	243	243	243	243	243	243	243	243	243	243	(2,501)	172	184	197
Public safety	14	14	14	14	14	14	14	14	14	14	14	287	445	476	510
Housing	37	37	37	37	37	37	37	37	37	37	37	(408)	-	-	-
Health												-	-	-	-
Economic and environmental services												25,169	25,169	26,902	28,829
<i>Planning and development</i>	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	(23,072)	-	-	-
Road transport												25,169	25,169	26,902	28,829
Environmental protection	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	2,097	(23,072)	-	-	-
Trading services												218,578	218,578	233,635	250,364
<i>Electricity</i>	18,215	18,215	18,215	18,215	18,215	18,215	18,215	18,215	18,215	18,215	18,215	12,407	212,770	227,427	243,711
Water	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	17,731	(195,039)	-	-	-
Waste water management												-	-	-	-
Waste management												5,808	5,808	6,208	6,653
Other	484	484	484	484	484	484	484	484	484	484	484	(5,324)	-	-	-
<b>Total Revenue - Standard</b>												377,620	377,620	403,632	432,533
	0	31,463	31,463	31,463	31,463	31,463	31,463	31,463	31,463	31,463	31,463	250,472	596,567	637,662	683,320
			49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709	49,709			
<b>Governance and administration</b>															
<i>Executive and council</i>	7,960	7,960	7,960	7,960	7,960	7,960	7,960	7,960	7,960	7,960	7,960	(67,497)	20,067	21,180	22,320
Budget and treasury office	1,672	1,672	1,672	1,672	1,672	1,672	1,672	1,672	1,672	1,672	1,672	43,675	62,069	65,513	69,039
Corporate services	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	(43,509)	13,388	14,130	14,891
Community and public safety	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116	1,116	33,014	45,287	47,799	50,372
<i>Community and social services</i>	3,774	3,774	3,774	3,774	3,774	3,774	3,774	3,774	3,774	3,774	3,774	(14,138)	27,375	28,894	30,449
Sport and recreation	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	(18,040)	7,054	7,445	7,846
Public safety	588	588	588	588	588	588	588	588	588	588	588	4,391	10,858	11,460	12,077
Housing	905	905	905	905	905	905	905	905	905	905	905	(9,953)	-	-	-
Health												-	-	-	-
Economic and environmental services												46,312	46,312	48,881	51,512
<i>Planning and development</i>	3,859	3,859	3,859	3,859	3,859	3,859	3,859	3,859	3,859	3,859	3,859	(28,878)	13,575	14,328	15,099
Road transport	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	20,293	32,737	34,553	36,413
Environmental protection	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	(30,009)	-	-	-
Trading services												198,425	198,425	209,433	220,707
<i>Electricity</i>	16,535	16,535	16,535	16,535	16,535	16,535	16,535	16,535	16,535	16,535	16,535	10,008	191,897	202,543	213,447
Water	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	15,991	(175,906)	-	-	-
Waste water management												-	-	-	-
Waste management												6,528	6,528	6,890	7,261
Other	544	544	544	544	544	544	544	544	544	544	544	(5,563)	421	444	468
<b>Total Expenditure - Standard</b>	35	35	35	35	35	35	35	35	35	35	35	385,582	385,968	407,380	429,311
<b>Surplus/(Deficit) for the year</b>	32,164	32,164	32,164	32,164	32,164	32,164	32,164	32,164	32,164	32,164	32,164	285,076	638,881	674,325	710,626
<b>Transfers recognised - capital before as</b>	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(34,605)	(42,314)	(36,662)	(27,306)
<b>Surplus/(Deficit) for the year</b>												(8,348)	(8,348)	(3,748)	3,222
<b>Transfers recognised - capital</b>	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(701)	(42,953)	(50,662)	(40,410)	(24,083)

**Table 45 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

KZN234 Umtshezi - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)																										
Description	Ref	Budget Year 2015/16												Medium Term	Revenue and Expenditure Framework											
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18										
R thousand																										
Single-year expenditure to be appropriated																										
Vote 2 - MUNICIPAL MANAGER			30											–	30	–	–									
Vote 3 - FINANCE DEPARTMENT			30											100	130	–	–									
Vote 4 - CIVIL SERVICES			30				100							17,855	17,985	18,514	19,352									
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES			30	5,985			5,985			5,985				(17,955)	30	–	–									
Vote 6 - ELECTRICAL SERVICES			30											15,000	15,030	15,700	15,000									
Vote 7 - [NAME OF VOTE 7]			30			3,000		4,000		4,000		4,000	(15,030)	–	–	–	–									
Vote 8 - [NAME OF VOTE 8]													–	–	–	–	–									
Vote 9 - [NAME OF VOTE 9]													–	–	–	–	–									
Vote 10 - [NAME OF VOTE 10]													–	–	–	–	–									
Vote 11 - [NAME OF VOTE 11]													–	–	–	–	–									
Vote 12 - [NAME OF VOTE 12]													–	–	–	–	–									
Vote 13 - [NAME OF VOTE 13]													–	–	–	–	–									
Vote 14 - [NAME OF VOTE 14]													–	–	–	–	–									
Vote 15 - [NAME OF VOTE 15]													–	–	–	–	–									
Capital single-year expenditure sub-total													33,235	33,235	34,214	34,352										
Capital single-year expenditure sub-total	2	–	180	5,985	–	3,000	6,085	4,000	–	9,985	–	4,000	33,205	66,440	68,428	68,704										
Total Capital Expenditure	2	–	180	5,985	–	3,000	6,085	4,000	–	9,985	–	4,000	33,205	66,440	68,428	68,704										

**Table 46 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Capital Expenditure - Standard</b>															
<i>Governance and administration</i>	7,200	7,200	7,200	8,459	7,486	3,455	8,500	8,250	10,250	10,250	10,600	16,626	105,476	148,398	155,725
Executive and council	-	-	-	-	286	-	-	-	-	-	350	449	1,085	343	183
Budget and treasury office				1,259								-	1,259	-	-
Corporate services	7,200	7,200	7,200	7,200	7,200	3,455	8,500	8,250	10,250	10,250	10,250	16,177	103,132	148,055	155,542
<i>Community and public safety</i>	12,000	12,000	12,000	27,061	27,350	9,500	13,500	35,250	32,000	31,166	29,500	52,958	294,285	368,867	370,225
Community and social services	-	-	-	-	2,350	-	-	4,000	4,000	6,866	7,500	17,784	42,500	42,000	25,000
Sport and recreation	-	-	-	1,250	3,500	3,500	1,500	5,750	7,500	4,000	5,000	6,000	38,000	101,500	123,000
Public safety	-	-	-	13,811	9,500	-	-	3,500	4,500	4,300	1,000	2,000	38,611	30,237	32,464
Housing	12,000	12,000	12,000	12,000	12,000	6,000	12,000	18,000	12,000	12,000	12,000	12,959	144,959	163,630	166,312
Health	-	-	-	-	-	-	-	4,000	4,000	4,000	4,000	14,216	30,216	31,500	23,450
<i>Economic and environmental services</i>	10,000	30,600	84,200	131,950	90,600	38,750	85,980	118,350	107,550	85,720	92,400	12,739	888,839	1,207,657	921,621
Planning and development	-	-	-	5,200	5,600	1,250	6,700	15,450	9,500	9,500	9,500	8,040	70,740	119,454	136,297
Road transport	7,500	28,100	80,500	110,250	72,500	37,500	79,280	99,900	88,550	66,720	77,400	66,099	814,299	1,083,403	779,524
Environmental protection	2,500	2,500	3,700	16,500	12,500	-	-	3,000	9,500	9,500	5,500	(61,400)	3,800	4,800	5,800
<i>Trading services</i>	17,500	45,000	74,150	129,780	169,000	79,500	92,000	189,000	151,000	128,950	119,000	107,984	1,302,864	1,397,692	1,457,741
Electricity	17,500	45,000	45,000	70,000	60,000	25,000	55,000	95,000	55,000	49,450	45,000	33,286	595,236	572,270	580,544
Water	-	-	1,500	9,500	19,500	8,000	19,500	40,500	40,500	24,000	24,000	24,473	211,473	338,822	347,458
Waste water management	-	-	27,650	50,280	89,500	46,500	17,500	53,500	55,500	55,500	50,000	35,765	481,695	471,600	513,239
Waste management												14,460	14,460	15,000	16,500
<i>Other</i>												22,985	22,985	13,500	12,814
<b>Total Capital Expenditure - Standard</b>	<b>46,700</b>	<b>94,800</b>	<b>177,550</b>	<b>297,250</b>	<b>294,436</b>	<b>131,205</b>	<b>199,980</b>	<b>350,850</b>	<b>300,800</b>	<b>256,086</b>	<b>251,500</b>	<b>213,292</b>	<b>2,614,449</b>	<b>3,136,114</b>	<b>2,918,125</b>

**Table 47 MBRR SA30 - Budgeted monthly cash flow**

KZN234 Umtshezi - Supporting Table SA30 Budgeted monthly cash flow															
MONTHLY CASH FLOWS	Budget Year 2015/16												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Cash Receipts By Source</b>													1		
Property rates - penalties & collection charges	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	(30 032)	8 739	9 263	9 819
Service charges - electricity revenue	728	728	728	728	728	728	728	728	728	728	728	153 159	161 170	170 840	181 091
Service charges - water revenue	17 310	16 850	13 660	12 300	11 430	12 650	12 460	14 900	15 740	16 980	19 340	(163 620)	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - other	498	498	498	498	498	498	498	498	498	498	498	(5 482)	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest earned - external investments	29	29	29	29	29	29	29	29	29	29	29	2 840	3 162	3 352	3 553
Interest earned - outstanding debtors	291	291	291	291	291	291	291	291	291	291	291	(1 176)	2 027	2 148	2 277
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licences and permits	7	7	7	7	7	7	7	7	7	7	7	6 177	6 257	6 632	7 030
Agency services	521	521	521	521	521	521	521	521	521	521	521	(5 736)	-	-	-
Transfers recognised - operational	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	22 150	-	-	-	19 390	-	-	-	16 713	-	-	(54 378)	3 874	4 106	4 353
Gains on disposal of PPE	323	323	323	323	323	323	323	323	323	323	323	(3 551)	-	-	-
<b>Cash Receipts by Source</b>	<b>45 383</b>	<b>22 773</b>	<b>19 583</b>	<b>18 223</b>	<b>36 743</b>	<b>18 573</b>	<b>18 383</b>	<b>20 823</b>	<b>38 376</b>	<b>22 903</b>	<b>25 263</b>	<b>(101 798)</b>	<b>185 228</b>	<b>196 342</b>	<b>208 122</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	5 985	-	-	-	20 985	-	-	-	5 985	-	-	-	32 955	-	-
Contributed assets & Surplus/(Deficit) after capital transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments	-	-	-	-	-	-	-	-	-	-	-	5	5	5	5
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	584	584	619	657
Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>51 368</b>	<b>22 773</b>	<b>19 583</b>	<b>18 223</b>	<b>57 728</b>	<b>18 573</b>	<b>18 383</b>	<b>20 823</b>	<b>44 361</b>	<b>22 903</b>	<b>25 263</b>	<b>(101 209)</b>	<b>218 772</b>	<b>196 966</b>	<b>208 784</b>
<b>Cash Payments by Type</b>															
Employee related costs	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	6 636	(67 675)	5 326	5 641	5 985
Remuneration of councillors	444	444	444	444	444	444	444	444	444	444	444	8 025	12 908	12 908	12 908
Finance charges	491	491	491	491	751	505	491	491	491	491	491	152 517	158 189	167 522	176 903
Bulk purchases - Electricity	15 650	14 320	11 457	11 540	10 480	12 268	10 765	10 980	9 368	12 745	14 230	(120 373)	13 430	14 223	15 019
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	1 178	(2 073)	10 886	10 885	10 885
Contracted services	907	907	907	907	907	907	907	907	907	907	907	(1 442)	8 537	9 041	9 547
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	3 793	(41 727)	-	-	-
<b>Cash Payments by Type</b>	<b>29 100</b>	<b>27 770</b>	<b>24 907</b>	<b>24 990</b>	<b>24 190</b>	<b>25 732</b>	<b>24 215</b>	<b>24 430</b>	<b>22 818</b>	<b>26 195</b>	<b>27 680</b>	<b>(72 746)</b>	<b>209 276</b>	<b>220 218</b>	<b>231 247</b>
<b>Other Cash Flows/Payments by Type</b>															
NET CASH FROM/(USED) INVESTING ACTIVITIES	-	-	1 500	2 100	2 700	6 000	4 100	4 500	3 200	2 800	2 500	244	29 644	34 214	34 352
NET CASH FROM/(USED) FINANCING ACTIVITIES	440	440	440	440	440	832	440	440	440	440	440	845	6 072	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>29 539</b>	<b>28 209</b>	<b>26 846</b>	<b>27 529</b>	<b>27 329</b>	<b>32 563</b>	<b>28 754</b>	<b>29 369</b>	<b>26 457</b>	<b>29 434</b>	<b>30 619</b>	<b>(71 657)</b>	<b>244 991</b>	<b>254 432</b>	<b>265 599</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>21 829</b>	<b>(5 436)</b>	<b>(7 263)</b>	<b>(9 306)</b>	<b>30 399</b>	<b>(13 990)</b>	<b>(10 371)</b>	<b>(8 546)</b>	<b>17 904</b>	<b>(6 531)</b>	<b>(5 356)</b>	<b>(29 552)</b>	<b>(26 219)</b>	<b>(57 466)</b>	<b>(56 814)</b>
Cash/cash equivalents at the month/year begin:	7 349	29 178	23 742	16 479	7 173	37 572	23 582	13 211	4 665	22 569	16 038	10 682	7 349	(18 870)	(76 336)
Cash/cash equivalents at the month/year end:	29 178	23 742	16 479	7 173	37 572	23 582	13 211	4 665	22 569	16 038	10 682	(18 870)	(18 870)	(76 336)	(133 150)



## **2.10 Contracts having future budgetary implications**

There is no information on contracts that have future budgetary implications.

## **2.11 Capital expenditure details**

The information pertaining the detailed capital expenditure will be provided in the final annual budget, hence departments didn't submit in time and the CFO couldn't meet with those who submitted their capital expenditure.

**Table 48 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description	2011/12	2012/13	2013/14	Current Year 2014/15		2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b>								
<b><u>Infrastructure</u></b>	18,735	28,722	25,979	20,461	44,951	17,955	18,514	19,352
Infrastructure - Road transport	8,279	28,722	25,979	18,061	18,061	17,955	18,514	19,352
<i>Roads, Pavements &amp; Bridges</i>	8,279	28,722	25,979	18,061	18,061	17,955	18,514	19,352
<i>Storm water</i>								
Infrastructure - Electricity	10,456	-	-	2,400	2,400	-	-	-
<i>Generation</i>								
<i>Transmission &amp; Reticulation</i>	10,456			2,400	2,400	-	-	-
Infrastructure - Other	-	-	-	-	24,490	-	-	-
<i>Other</i>					24,490			
<b><u>Community</u></b>	5,128	-	-	3,406	3,406	-	-	-
Parks & gardens	5,027			3,406	3,406	-		
Sportsfields & stadia	50							
Swimming pools	40							
Community halls								
Libraries	1							
Recreational facilities								
Fire, safety & emergency								
Security and policing								
Buses								
Clinics	10							
<b><u>Investment properties</u></b>	13,682	-	-	-	-	-	-	-
Housing development	13,682							
Other								
<b><u>Other assets</u></b>	1,566	1,152	-	1,633	1,633	280	-	-
General vehicles	173	649						
Specialised vehicles	-	-	-	-	-	-	-	-
Plant & equipment		230						
Civic Land and Buildings	185	273						
Other	1,208			1,633	1,633	280		
<b>Total Capital Expenditure on new assets</b>	<b>39,111</b>	<b>29,874</b>	<b>25,979</b>	<b>25,499</b>	<b>49,989</b>	<b>18,235</b>	<b>18,514</b>	<b>19,352</b>

**Table 49 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

KZN234 Umtshezi - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class								2015/16 Medium Term Revenue & Expenditure Framework		
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast			
<u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u>										
<u>Infrastructure</u>		-	-	-	10,000	10,000	-	15,000	15,700	15,000
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>										
<i>Storm water</i>										
Infrastructure - Electricity		-	-	-	10,000	10,000	-	15,000	15,700	15,000
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>					10,000	10,000		15,000	15,700	15,000
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>15,000</b>	<b>15,700</b>	<b>15,000</b>

**Table 50 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	25,092	26,597	-	13,540	13,540	-	10,342	10,953	11,566
Infrastructure - Road transport	12,904	13,678	-	7,934	7,934	-	3,800	4,024	4,250
<i>Roads, Pavements &amp; Bridges</i>	10,519	11,150		6,656	6,656		3,800	4,024	4,250
<i>Storm water</i>	2,385	2,528		1,278	1,278				
Infrastructure - Electricity	12,188	12,919	-	5,606	5,606	-	6,542	6,928	7,316
<i>Generation</i>				3,586	3,586				
<i>Transmission &amp; Reticulation</i>	12,188	12,919		2,020	2,020		6,542	6,928	7,316
<b>Community</b>	11,727	12,430	-	1,094	1,094	-	59	62	66
Parks & gardens	9,128	9,676		312	312				
Sportsfields & stadia	45	48		14	14		59	62	66
Swimming pools									
Community halls	2,257	2,392		399	399				
Libraries									
Recreational facilities									
Fire, safety & emergency	35	37		81	81				
Security and policing	203	215		288	288				
Buses		-							
Clinics									
Museums & Art Galleries	7	7							
Cemeteries	52	55							
Social rental housing									
Other									
<b>Other assets</b>	15,221	16,136	-	52,755	52,755	-	3,736	3,956	4,178
General vehicles	250	265					1,466	1,552	1,639
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment	1,312	1,391		840	840		354	375	396
Computers - hardware/equipment									
Furniture and other office equipment	100	106		57	57		103	109	115
Abattoirs									
Markets									
Civic Land and Buildings	150	159		527	527		1,374	1,455	1,536
Other Buildings									
Other Land									
Surplus Assets - (Investment or Inventory)									
Other	13,409	14,215		51,331	51,331		440	466	492
<b>Intangibles</b>	556	589	-	-	-	-	-	-	-
Computers - software & programme	556	589							
Other ( <i>list sub-class</i> )									
<b>Total Repairs and Maintenance Expenditure</b>	<b>52,596</b>	<b>55,752</b>	<b>-</b>	<b>67,389</b>	<b>67,389</b>	<b>-</b>	<b>14,137</b>	<b>14,971</b>	<b>15,810</b>

**Table 51 MBRR SA35 - Future financial implications of the capital budget**

Vote Description	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand			
<u>Capital expenditure</u>			
Vote 1 - CORPORATE SERVICES	30	–	–
Vote 2 - MUNICIPAL MANAGER	30	–	–
Vote 3 - FINANCE DEPARTMENT	130	–	–
Vote 4 - CIVIL SERVICES	17,985	18,514	19,352
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES	30	–	–
Vote 6 - ELECTRICAL SERVICES	15,030	15,700	15,000
<b>Total Capital Expenditure</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>
<b>Net Financial Implications</b>	<b>33,235</b>	<b>34,214</b>	<b>34,352</b>

**Table 52 MBRR SA36 - Detailed capital budget per municipal vote**

Information will be available in final budget 2015/16.

## 2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
  2. Internship programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
  3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
  4. Audit Committee  
An Audit Committee has been established but outsourced.
  5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2015/16 MTREF in May 2015 directly aligned and informed by the 2015/16 MTREF.
  6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
  7. MFMP Training  
The MFMP training is currently underway and most senior management are partaking in this training.
  8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
-

## 2.13 Other supporting documents

**Table 53 MBRR Table SA1 - Supporting detail to budgeted financial performance**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
<b>REVENUE ITEMS:</b>											
<u>Property rates</u>	6										
Total Property Rates		63,297	69,040	92,592	88,915	88,915	61,316	61,316	88,915	94,249	99,904
less Revenue Foregone		28,166	30,934	36,594	34,708	34,708			31,604	33,500	35,510
Net Property Rates		35,131	38,106	55,998	54,206	54,206	61,316	61,316	57,310	60,749	64,394
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		141,629	158,001	168,691	188,937	173,937	167,975	167,975	196,549	216,204	237,824
less Revenue Foregone											
Net Service charges - electricity revenue		141,629	158,001	168,691	188,937	173,937	167,975	167,975	196,549	216,204	237,824
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		5,788	5,353	6,529	7,478	5,478	6,141	6,141	5,806	6,155	6,524
Total landfill revenue											
less Revenue Foregone											
Net Service charges - refuse revenue		5,788	5,353	6,529	7,478	5,478	6,141	6,141	5,806	6,155	6,524
<u>Other Revenue by source</u>											
Admin for debtors & private work, admission fees		3,588	2,833	3,228	28	28	3,723	3,723	8	8	9
Agricultural leases, building plans, burial fees, clearance certificates					317	317			378	401	425
Connection fees, disconnection & reconnection fees					1,346	1,346			897	950	1,007
Income from ferrows, encroachment, fire brigade, insurance claims					173	173			152	161	171
Profit rechargeable works, repairs to intallations					115	115			122	129	137
Sale of land, photocopies, plaques					68	68			602	638	676
Sectional title fees, sign dsplay, skills levy					108	108			125	133	141
Sundry income					1,491	1,497			1,586	1,682	1,783
Trade licences					3	3			4	4	4
Valuation certificates					0	0					
	3										
Total 'Other' Revenue	1	3,588	2,833	3,228	3,649	3,655	3,723	3,723	3,874	4,106	4,353

**Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance  
(Continued)**



Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand											
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	37,277	40,555	45,233	44,521	44,521	73,211	73,211	52,978	56,109	59,532
Pension and UIF Contributions		5,525	6,445	8,014	7,183	7,183			8,169	8,652	9,180
Medical Aid Contributions		2,748	2,769	3,510	2,691	2,691			3,960	4,194	4,449
Overtime		1,957	2,069	2,883	2,185	2,185			3,262	3,555	3,772
Performance Bonus		3,473	4,088	3,989	332	332			4,282	4,535	4,811
Motor Vehicle Allowance		1,391	1,694	1,661	1,621	1,621			1,769	1,873	1,988
Cellphone Allowance		–	–	–	320	320			–	–	–
Housing Allowances		306	235	223	260	260			318	337	358
Other benefits and allowances		1,379	1,357	3,677	5,586	5,586			1,660	1,695	1,798
Payments in lieu of leave		1,021	359	279	3,239	3,239			3,239	3,430	3,639
Long service awards		–	9	3	8	8			–	–	–
Post-retirement benefit obligations	4	1,313	2,521	1,644	–	–			–	–	–
sub-total	5	56,391	62,101	71,117	67,946	67,946	73,211	73,211	79,637	84,380	89,527
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	56,391	62,101	71,117	67,946	67,946	73,211	73,211	79,637	84,380	89,527
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		32,108	31,515	32,561	37,030	37,030	37,030	37,030	44,436	47,058	49,693
Lease amortisation											
Capital asset impairment		62									
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	32,170	31,515	32,561	37,030	37,030	37,030	37,030	44,436	47,058	49,693
Bulk purchases											
Electricity Bulk Purchases		113,864	129,227	132,913	148,988	140,988	126,439	126,439	158,189	167,522	176,903
Water Bulk Purchases											
Total bulk purchases	1	113,864	129,227	132,913	148,988	140,988	126,439	126,439	158,189	167,522	176,903
Transfers and grants											
Cash transfers and grants		–	–	–	–	–	–	–	–	–	–
Non-cash transfers and grants		1,941	1,165	1,967	8,537	8,537	8,537	8,537	8,537	9,041	9,547
Total transfers and grants	1	1,941	1,165	1,967	8,537	8,537	8,537	8,537	8,537	9,041	9,547
Contracted services											
Grass Cutting		–			21	1			1	–	–
Security Services		3,997	9,696	10,143	10,885	10,885	9,786	9,786	10,885	10,885	10,885
Legal fees			222								
Electrical Engineers			995								
Road Maintenance fees			147								
Civil Engineers			102								
Asset Register Support			8								
Payroll Consultants			34								
Post Retirement Benefit Consultants			20								
sub-total	1	3,997	11,223	10,143	10,906	10,886	9,786	9,786	10,886	10,885	10,885
Total contracted services		3,997	11,223	10,143	10,906	10,886	9,786	9,786	10,886	10,885	10,885
Other Expenditure By Type											
Collection costs		1,240	27,590		–	–	47,346	47,346			
Contributions to 'other' provisions		–			–	–					
Consultant fees		1,026			1,578	5,718			5,718	6,055	6,394
Audit fees		979			1,409	1,409			1,409	1,492	1,575
General expenses	3	16,186		32,292	8,947	12,321			14,234	15,073	15,918
Skills Levy		–			643	643			643	681	719
Fuel and Oil		1,525			2,158	4,158			4,158	4,404	4,650
Telephone and fax					1,402	1,402			1,402	1,485	1,568
Internal Audit Fees					756	756			756	801	846
Bank charges					762	762			762	807	852
Weenen Streetlights-Eskom					1,685	1,685			1,685	1,784	1,884
EPWP Expenditure					1,000	1,000			1,000	1,059	1,118
FMG Expenditure					1,500	1,500			1,500	1,589	1,677
Ward Committee Training					571	571			571	605	639
Insurance					1,160	1,160			1,160	1,229	1,298
Keep Umtshezi Clean Expenditure					1,200	1,200			1,200	1,271	1,342
Valuation Roll Expenses					1,587	1,587			1,587	1,681	1,775
Levies					265	265			265	280	296
Fire Engine expenditure					482	482			482	511	540
Licences					480	480			480	509	537
Prodiba licence card expenditure					444	444			444	471	497
Postal services					301	301			301	318	336
Printing and Stationery					634	634			634	671	709
Refuse bags and uniforms					1,015	1,015			1,015	1,074	1,135
Debt collection expenses					1,594	1,594			1,594	1,688	1,783
Prepaid electricity expenses					985	985			985	1,043	1,102
Rent / Hire of Office Equipment					1,533	1,533			1,533	1,624	1,715
Total 'Other' Expenditure	1	20,956	27,590	32,292	34,093	43,607	47,346	47,346	45,520	48,205	50,905

**Table 54 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

[illegible]

**Table 55 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
<b>ASSETS</b>										
<b>Consumer debtors</b>										
Call deposits < 90 days								4,073	4,317	4,576
Other current investments > 90 days	22,347	27,503	31,576	29,205	29,205	29,205	29,205	–		
<b>Total Consumer debtors</b>	<b>22,347</b>	<b>27,503</b>	<b>31,576</b>	<b>29,205</b>	<b>29,205</b>	<b>29,205</b>	<b>29,205</b>	<b>4,073</b>	<b>4,317</b>	<b>4,576</b>
<b>Other debtors</b>										
Other debtors	66,613	78,025	94,236	90,668	90,668	90,668	90,668	94,264	99,920	105,915
<b>Less: Provision for debt impairment</b>	<b>(30,378)</b>	<b>(34,913)</b>	<b>(38,765)</b>	<b>(40,801)</b>	<b>(40,801)</b>	<b>(40,801)</b>	<b>(40,801)</b>	<b>(38,794)</b>	<b>(41,121)</b>	<b>(43,588)</b>
<b>Total Other debtors</b>	<b>36,235</b>	<b>43,112</b>	<b>55,471</b>	<b>49,868</b>	<b>49,868</b>	<b>49,868</b>	<b>49,868</b>	<b>55,471</b>	<b>58,799</b>	<b>62,327</b>
<b>Debt impairment provision</b>										
Balance at the beginning of the year		12,882	14,116	7,033	7,033	7,033	7,033	12,908	13,682	14,503
Contributions to the provision		(5,873)	13,596	1,500	1,500	1,500	1,500	–		
Bad debts written off		(584)	(14,735)					–		
<b>Balance at end of year</b>	<b>–</b>	<b>6,425</b>	<b>12,977</b>	<b>8,533</b>	<b>8,533</b>	<b>8,533</b>	<b>8,533</b>	<b>12,908</b>	<b>13,682</b>	<b>14,503</b>
<b>Agricultural (PPE)</b>										
PPE at cost/valuation (excl. finance lease)	821,232	652,751	863,736	872,116	872,116	872,116	872,116	987,366	1,046,608	1,109,405
Leases recognised as PPE			–					–		
<b>Less: Accumulated depreciation</b>	<b>191,619</b>	<b>31,461</b>	<b>233,860</b>	<b>259,454</b>	<b>259,454</b>	<b>259,454</b>	<b>259,454</b>	<b>332,759</b>	<b>352,725</b>	<b>373,888</b>
<b>Total Agricultural (PPE)</b>	<b>629,613</b>	<b>621,290</b>	<b>629,876</b>	<b>612,662</b>	<b>612,662</b>	<b>612,662</b>	<b>612,662</b>	<b>654,607</b>	<b>693,883</b>	<b>735,516</b>
<b>LIABILITIES</b>										
<b>Bank overdraft - Consumer deposits</b>										
Short term loans (other than bank overdraft)										
Current portion of long-term liabilities	1,825	534	4,133	1,329	1,329	1,329	1,329	5,777	6,124	6,491
<b>Total Bank overdraft - Consumer deposits</b>	<b>1,825</b>	<b>534</b>	<b>4,133</b>	<b>1,329</b>	<b>1,329</b>	<b>1,329</b>	<b>1,329</b>	<b>5,777</b>	<b>6,124</b>	<b>6,491</b>
<b>Provisions</b>										
Trade and other creditors	20,416	31,135	40,075	14,829	10,329	10,329	10,329	21,500	22,790	24,157
Unspent conditional transfers	16,045	16,841	18,922	26,449	26,449	26,449	26,449	3,591	3,806	4,035
VAT										
<b>Total Provisions</b>	<b>36,460</b>	<b>47,976</b>	<b>58,997</b>	<b>41,278</b>	<b>36,778</b>	<b>36,778</b>	<b>36,778</b>	<b>25,091</b>	<b>26,596</b>	<b>28,192</b>
<b>Borrowing - Provisions</b>										
Borrowing	12,350	8,728	8,103	7,329	7,329	7,329	7,329	2,876	3,048	3,231
Finance leases (including PPP asset element)		1,246	11,307	314	314	314	314	11,615	12,312	13,050
<b>Total Borrowing - Provisions</b>	<b>12,350</b>	<b>9,974</b>	<b>19,410</b>	<b>7,643</b>	<b>7,643</b>	<b>7,643</b>	<b>7,643</b>	<b>14,491</b>	<b>15,360</b>	<b>16,282</b>
<b>Total non current liabilities - non-current</b>										
Retirement benefits	11,641	15,122	15,663	17,390	17,390	17,390	17,390	15,663	16,603	17,599
<i>List other major provision items</i>										
Refuse landfill site rehabilitation				532	532	532	532	–		
Other								–		
<b>Total Total non current liabilities - non-current</b>	<b>11,641</b>	<b>15,122</b>	<b>15,663</b>	<b>17,922</b>	<b>17,922</b>	<b>17,922</b>	<b>17,922</b>	<b>15,663</b>	<b>16,603</b>	<b>17,599</b>
<b>CHANGES IN NET ASSETS</b>										
<b>Reserves</b>										
Reserves - opening balance	653,392	645,922	660,666	612,505	627,121	628,187	628,187	665,095	702,105	738,672
GRAP adjustments										
Restated balance	653,392	645,922	660,666	612,505	627,121	628,187	628,187	665,095	702,105	738,672
Transfers recognised - capital	–	–	–	–	–	–	–	–	–	–
Appropriations to Reserves										
Transfers from Reserves										
Depreciation offsets										
Other adjustments										
<b>Accumulated Surplus/(Deficit)</b>	<b>653,392</b>	<b>645,922</b>	<b>660,666</b>	<b>612,505</b>	<b>627,121</b>	<b>628,187</b>	<b>628,187</b>	<b>665,095</b>	<b>702,105</b>	<b>738,672</b>
<b>Reserves</b>										
Housing Development Fund	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Capital replacement										
Self-insurance										
Other reserves										
Revaluation										
<b>Total Reserves</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>	<b>1,095</b>
<b>References</b>	<b>654,487</b>	<b>647,017</b>	<b>661,761</b>	<b>613,600</b>	<b>628,216</b>	<b>629,282</b>	<b>629,282</b>	<b>666,190</b>	<b>703,200</b>	<b>739,767</b>

**Table 56 MBRR Table SA9 – Social, economic and demographic statistics and assumptions**

KZN234 Umtshezi - Supporting Table SA9 Social, economic and demographic statistics and assumptions												
Description of economic indicator	Ref.	Basis of calculation	2001 Census	2007 Survey	2011 Census	2011/12	2012/13	2013/14	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework		
						Outcome	Outcome	Outcome	Original	Outcome	Outcome	Outcome
<u>Demographics</u>												
Population			47	60	84	98	102	102	102	102	103	103
Females aged 5 - 14			6	7	10	12	13	13	13	13	13	13
Males aged 5 - 14			6	7	110	13	14	14	14	14	14	14
Females aged 15 - 34			9	11	9	10	11	11	11	11	11	11
Males aged 15 - 34			8	11	9	10	11	11	11	11	11	11
Unemployment			6	12	18	22	24	24	24	24	24	24
<u>Monthly household income (no. of households)</u>	1, 12											
No income						4,000	4,000	4,000	4,000	3,777	3,777	3,777
R1 - R1 600						2,000	2,000	2,000	2,000	2,136	2,136	2,136
R1 601 - R3 200												
R3 201 - R6 400												
R6 401 - R12 800						3,000	3,000	3,000	3,000	3,204	3,422	3,655
<u>Household/demographics (000)</u>												
Number of people in municipal area						98	102	102	102	102	102	102
Number of poor people in municipal area						34	34	34	34	34	34	34
Number of households in municipal area						16	16	16	16	16	16	16
Number of poor households in municipal area						10	10	10	10	10	10	10
Definition of poor household (R per month)												

**Table 57 MBRR SA32 – List of external mechanisms**

KZN234 Umtshezi - Supporting Table SA32 List of external mechanisms						
External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.	
Name of organisation		Number			R thousand	
Payday	Yrs	2	Payroll and HR Services	30 June 2016	90	
Business Connection	Mths	12 Months	Financial Management System	30 June 2015		
G45	Mths	12 Months	Cash Management and Ancillary Services Agreement	30 June 2015		
KPMG						

## Other Expenditure Breakdown

DESCRIPTION	AMOUNT
ADVERTISEMENTS	256,118
AUDIT FEES (EXTERNAL)	1,408,621
AUDIT FEES INTERNAL	756,470
BANK CHARGES	561,760
BURSARIES STAFF	125,628
BUDGET ROADSHOWS	79,350
BHAYLA PROPERTY	683,780
CHEMICALS	51,740
CLEANING MATERIAL	281,480
COMMUNITY DEVELOPMENT	21,720
CONSULTANT FEES (MONITORING)	5,736,242
CO-OPS SUPPORT	272
CULTURAL ACTIVITIES - REED DANCE	27,320
DONATIONS - SPCA	100,000
DONATIONS - ESTCOURT NIGHT MARKET	10,000
DONATIONS - LIONS ROTARY CLUB	10,580
DONATIONS - CANCER AWARENESS	10,000
DONATIONS - INDLAMU	300,000
ELECTRICITY - WEENEN EXPENDITURE	1,684,967
EMERGENCY RELIEF	21,160
ENTERTAINMENT & RECEPTIONS	119,371
EPWP - EXPENDITURE	1,000,000
EXCESS / PAYMENTS INSURANCE CLAIMS - GEN	65,016
EXPENDITURE FIN. MANAGEMENT GRANT	1,500,000
MSIG WARD COMMITTEE TRAINING	934,000
FUEL & OIL	4,423,320
FERTILIZER & CHEMICALS	59,350
FOAM	21,160
GRANTS AND DONATIONS(OTHER)	48,000
HIV/AIDS PROGRAMME	62,148
IDP PMS	21,160
INDIGENT BURIALS - CONTRIBUTIONS	155,517
INDIGENT EXPENDITURE (CONTRIBUTION)	105,800
INSURANCE GENERAL	1,160,452
INVENTORY ITEMS	18,928
INFORMATION TECHNOLOGY EXPENSES	80,000
KEEP UMTSHEZI CLEAN	1,200,000
LEGAL FEES	328,270
LEVIES/MEMBERSHIP FEES	664,500
LEASE ON FIRE ENGINE	932,448
LICENSES	162,932
LICENCE FEES RENEWALS	259,210
LICENCE & ROADWORTHINESS	58,190
PEST CONTROL	11,740
POSTAL SERVICES(POSTAGE & TELEGRAMS)	451,684
POUND ESTABLISHMENT	3,770
PRINTING & STATIONERY	557,202
PROMOTIONS	65,702
PRODIBA	444,360
PROVISION FOR LANDFILL SITES	200,000
PUBLICITY	107,156
PUBLIC PARTICIPATION PROGRAMME	320,543
PURCHASE OF REFUSE BAGS	576,189
REGISTRATION SUPPORT FEES - STUDENTS	330,000
REFRESHMENTS	17,436
COMMISSION - DEBT COLLECTION	3,000,000
COMMISSION - PREPAID ELECTRICITY	984,998
RENT/HIRE - OFFICE EQUIPMENT & OTHER	1,875,399
RENT - PLANT & VEHICLES	28,779
STAFF TEAM BUILDING	50,000
SPORTS AND RECREATION	2,000
SPORT - KWANALOGA GAMES	150,000
SPORT PROGRAMME AND DEVELOPMENT	52,900
SKILLS DEVELOPMENT LEVY	643,313
SOFTWARE MAINTENANCE	1,039,653
SUBSISTENCE AND TRAVELLING	910,005
SUNDRIES	146,987
SPECIAL PROGRAMMES	77,320
SMME SUPPORT	42,320
STAFF - TEAM BUILDING	56,074
TELEPHONE	1,596,317
TRAINING(STAFF)	205,374
AMAKHOSI	52,900
TESTING	40,000
REVIEW LED STRATEGY	63,480
TOWN PLANNING SHARED SERVICES GRANT	5,290
TOWN PLANNING AND SURVEYING EXPENSES	142,500
UNIFORMS AND PROTECTIVE CLOTHING	950,789
UPDATING ASSET REGISTER	352,200
WARD COMMITTEES	571,320
VALUATION ROLL EXPENSES	887,000
YOUTH DEVELOPMENT	2,000,000

### **Budgeting for the merger with Imbabazane Municipality**

The National Treasury has provided the uMtshezi Municipality with the Municipal Demarcation Transition Grant of R1.8 million.

Above the grant from the National Treasury, uMtshezi Municipality will also contribute funds to ensure the smooth transition of the two municipalities in 2016/17.

The management of the municipality will meet to determine the amount to be contributed and that figure will be captured in the Final Annual Budget 2015/16.

## 2.14 Municipal manager's quality certificate

I **N.P. GAMEDE**, municipal manager of **uMtshezi Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal manager of **uMtshezi Municipality (KZN234)**

Signature \_\_\_\_\_

Date \_\_\_\_\_

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